

20-2-02

PRODUCTION SHARING AGREEMENT

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THIS AGREEMENT, made and entered into this 22nd day of January 2001, by and between the GOVERNMENT OF BELIZE, (hereinafter, to as the "Government") acting through the Minister of Natural Resources, the Environment, and Industry and USCapital Energy Belize, Ltd. (a subsidiary of USCapital Energy Partners, L.P.) a corporation duly organized under the laws of the British Virgin Islands (hereinafter referred to as the "Contractor").

WHEREAS, the entire property in, and control over all Petroleum resources in or under the territory of Belize is vested in the Government on behalf of Belize;

AND WHEREAS, no petroleum operations shall be conducted in Belize by any person other than the Government unless such person has entered into a contract in accordance with the Petroleum Act (No. 8 of 1991);

AND WHEREAS, the Government wishes to promote the exploration for and production of the petroleum resources in and throughout the contract area, and the Contractor desires to join and assist the Government in accelerating the exploration for and production of the petroleum resources within the contract area;

AND WHEREAS, the Contractor represents that it has the financial resources, technical competence and professional skills necessary to carry out the petroleum operations hereinafter described;

AND WHEREAS, the Government understands that successful implementation of the Contractor's obligations hereunder may require the Contractor to move exploration related equipment and machinery into and out of Belize to and from Guatemala;

AND WHEREAS, the Government and the Contractor recognize the possibility that exploration in the contract area may result in the discovery of fields that may extend cross-border -- Belize / Guatemala;

AND WHEREAS, the Contractor recognizes that if a field is discovered that extends across the Belize Guatemala border, then a joint development agreement may need to be executed in order to commercially produce hydrocarbons in said field;

AND WHEREAS, the Government and the Contractor agree that this Agreement is in compliance with all existing Belize statutes, regulations and laws which govern or regulate the exploration, development and production of petroleum in Belize;

AND WHEREAS, the Government and the Contractor agree that this Agreement is bound by all Belize statutes, regulations and laws which govern or regulate the exploration, development and production of petroleum in Belize which are in effect at the time this Agreement was signed, and not by those statutes, regulations and laws adopted after this agreement was signed;

AND WHEREAS, the Government and the Contractor agree that this Agreement was freely negotiated at arms length;

AND WHEREAS, Contractor and the Government agree that this Agreement may be amended, modified or changed, provided that, no such amendment, modification or change shall be binding unless such amendment, modification or change is in writing and signed by the Contractor and the Government;

AND WHEREAS, this Agreement resulted, in part, from the relinquishment of the A.B. Energy - Belize, Ltd. Block 12 PSA dated April 2, 1998 (as amended);

AND WHEREAS, the Government and the Contractor agree that the geographic area covered under this Agreement is that of Block 19, referenced by coordinates in exhibit A, attached hereto, and by the map attached hereto as exhibit B.

NOW, THEREFORE, the parties hereto hereby agree as follows:

**ARTICLE I**

- Definitions 1.1 In this Agreement, the following terms shall have the following meanings:
- 1.1.1 "affiliated company" shall mean any entity directly or indirectly effectively controlling, or effectively controlled by, or under direct or indirect effective common control with, a specified entity. For the purposes of this definition, "control", when used with respect to any specified entity, means the power to direct, administer and dictate policies of such entity (it being understood and agreed that it is not necessary to own directly or indirectly fifty percent (50%) or more of such entity's voting securities to have effective control over such entity, but ownership, direct or indirect, of fifty percent (50%) or more of such entity's voting securities shall automatically indicate effective control), and the terms "controlling" and "controlled" have meanings corresponding to the foregoing;
  - 1.1.2 "appraisal well" shall mean a well drilled within the contract area, following a discovery, for the purpose of delineating the petroleum reservoir(s) to which the discovery relates in terms of thickness and lateral extent and estimating the quantity of recoverable petroleum therein;
  - 1.1.3 "barrel" shall mean a quantity or unit of crude oil equal to 158.9874 liters (forty-two (42) United States gallons) at a temperature of sixty (60) degrees Fahrenheit (15.56 degrees Centigrade) under one atmosphere of pressure;
  - 1.1.4 "calendar year" shall mean a period of twelve (12) consecutive months, according to the Gregorian Calendar, starting with the 1st of January and ending with the 31st of December;
  - 1.1.5 "calendar month" or "month" shall mean any of the twelve (12) months of the calendar year;
  - 1.1.6 "commercial discovery" means a discovery of petroleum which can be exploited commercially in accordance with accepted practices in the international petroleum industry;
  - 1.1.7 "continental shelf" shall mean the part of the seabed and subsoil of the submarine areas adjacent to the coast of Belize, but outside the territorial waters, over which Belize is entitled by international law to exercise sovereign rights for the purposes of exploring and exploiting its natural resources;
  - 1.1.8 "contract area" means a geographical area which is covered by the contract; and includes the whole of, or such part or parts of, the original area awarded to a Contractor and shall remain at the disposal of such Contractor from time to time pursuant to the terms of the contract;
  - 1.1.9 "contract year" shall mean a period of twelve (12) consecutive calendar months, counted from the first day of the first calendar month following the effective date of this Agreement or from the anniversary of such first day of such

month;

- 1.1.10 "Contractor" shall mean any person with whom the Government enters into a contract and includes Contractor's agents, representatives and assignees;
- 1.1.11 "crude oil" shall mean petroleum which is in liquid state at the well head or gas/oil separator or which is extracted from natural gas, including distillate and condensate;
- 1.1.12 "day" shall mean a calendar day unless otherwise provided herein;
- 1.1.13 "delivery point" shall mean the FOB point of export in Belize or such other point which may be agreed by the Government and the Contractor;
- 1.1.14 "development and production operations" means operations for or in connection with the production of petroleum;
- 1.1.15 "development and production period" shall mean the period referred to in paragraph 3.4;
- 1.1.16 "discovery" in relation to petroleum, shall mean petroleum not previously known to have existed, recovered at the surface in a flow measurable by conventional petroleum industry testing methods;
- 1.1.17 "effective date" shall mean the date first above written;
- 1.1.18 "exploration expenditures" shall mean expenditures made in conducting exploration operations hereunder, but excluding expenditures made within the area of a field after a commercial discovery has been declared. These expenditures shall be determined in accordance with the Income Tax (Amendment) Act (No. 9 of 1991) as amended (No. 7 of 1999);
- 1.1.19 "exploration operations" means operations for or in connection with exploration for petroleum;
- 1.1.20 "exploration period" shall mean the period referred to in paragraph 3.1;
- 1.1.21 "exploration well" shall mean a well other than an appraisal well drilled in the course of exploration operations;
- 1.1.22 "field" shall mean an area, as designated by agreement between the Government and the Contractor, where a commercial discovery of crude oil or natural gas has been declared;
- 1.1.23 "Government" shall mean the current government of Belize and any and all future governments which claim any right, title or interest in petroleum or oil and gas that is the subject of this Agreement;
- 1.1.24 "gross revenues" shall mean the sum of all proceeds of sales and the monetary equivalent of the value of other dispositions of petroleum produced and saved and not used in petroleum operations and any other proceeds derived

from petroleum operations;

- 1.1.25 "income tax" shall mean that tax imposed on net income pursuant to the Income Tax Act (Cap 46, as amended and in effect from time to time);
- 1.1.26 "initial commercial production" shall mean the date on which the first regular shipment of crude oil or natural gas, or both, is made from a field under a program of regular production and sale;
- 1.1.27 "Inspector" shall mean the Inspector of Petroleum appointed under section 4 of the Petroleum Act (No. 8 of 1991);
- 1.1.28 "maximum efficient rate" shall mean the maximum rate of production of crude oil in a field, without excessive rate of decline of production or excessive loss of reservoir pressure, and in accordance with generally accepted practices in the international petroleum industry and the provisions of paragraph 6.3;
- 1.1.29 "Minister" shall mean the Minister for the time being responsible for petroleum affairs in the Government of Belize;
- 1.1.30 "natural gas" shall mean all petroleum which at atmospheric conditions of temperature and pressure is in a gaseous state, and includes wet mineral gas, dry mineral gas, wet gas and residue gas remaining after the extraction, processing or separation of liquid petroleum from wet gas, as well as non-petroleum gas or gases produced in association with liquid or gaseous petroleum;
- 1.1.31 "net petroleum" shall mean the value of the total quantity of petroleum produced and saved in a given calendar year and not used in petroleum operations after deduction of the value of the royalties made in such calendar year and after recovery of petroleum operations expenditures pursuant to paragraph 9.1;
- 1.1.32 "net taxable income" shall mean net taxable income as determined in accordance with the provisions of the Income Tax (Amendment) Act (No. 9 of 1991) as amended (No. 7 of 1999).
- 1.1.33 "petroleum" means all natural organic substances composed of carbon and hydrogen; and includes crude oil and natural gas, and all other mineral substances, products, by-products and derivatives that are found in conjunction with petroleum;
- 1.1.34 "Petroleum Act" shall mean the Petroleum Act (No. 8 of 1991) and any subsidiary legislation made thereunder;
- 1.1.35 "petroleum operations" means the operations related to the exploration, development, extraction, production, field separation, transportation, storage, sale or disposal of petroleum; but does not include any transportation or other

treatment plant;

- 1.1.36 "petroleum operations expenditures" shall mean expenditures incurred in conducting petroleum operations hereunder, determined in accordance with the Income Tax (Amendment) Act, (No. 9 of 1991) as amended (No. 7 of 1999);
- 1.1.37 "royalty" shall mean the royalty or production payment described in Article VIII;
- 1.1.38 "quarter" shall mean a period of three (3) consecutive months commencing with the first day of January, April, July and October, respectively, of each calendar year;
- 1.1.39 "well" means any opening in the ground made or being made by drilling or boring, or in any other manner, in connection with exploration operations or development and production operations, other than a seismic hole;
- 1.1.40 "work programme" shall mean an itemized statement of the petroleum operations to be carried out in the contract area in each calendar year, or to be carried out for specific activities such as drilling of exploration wells and appraisal wells and development programmes, all in a form acceptable to the Government;
- 1.1.41 "work programme budget" shall mean the estimate of the costs of all items included in the corresponding work programme, including both capital and operating budgets, all in a form acceptable to the Government.

## ARTICLE II

Grant of Rights to  
the Contractor

- 2.1 The Government grants to the Contractor, subject to the terms and conditions set forth in this Agreement, the exclusive right to conduct petroleum operations within the contract area for the term of this Agreement. Except as provided in paragraph 11.3, the Contractor shall have the right, during the term of this Agreement, to freely lift, dispose of and export its share of the petroleum produced hereunder.
- 2.2 Title to petroleum to which the Contractor is entitled hereunder shall pass to the Contractor at the well head subject to Clause 8 of this Agreement.
- 2.3 The Contractor shall, except as expressly otherwise provided in this Agreement, conduct all petroleum operations hereunder at his sole risk, cost and expense. The Contractor shall look only to the petroleum to which he is entitled under this Agreement to recover such costs and expenses, and such petroleum shall be the Contractor's sole source of compensation thereunder.
- 2.4 The Contractor shall be responsible to the Government for the execution of all petroleum operations in accordance with the provisions of this Agreement. Without prejudice to the Contractor's position as an independent contractor hereunder, the extent and character of such work to be done by the Contractor shall be subject to the general supervision,

review and approval of the Government to which the Contractor shall report and be responsible as herein set forth. Government approval, as required pursuant to any provision of this Agreement, shall not be unreasonably withheld.

- 2.5 The Contractor is authorized to construct pipelines, bridges, ferries, landing fields, radio, telephone and related communication systems as may be necessary for petroleum operations but subject to the laws in force in Belize from time to time for the regulation and control of such installations and their construction.
- 2.6 The Government reserves the right to grant licenses to others to prospect for, explore for and mine minerals other than petroleum within the contract area, and further reserves to itself the right to so prospect, explore and mine directly, all subject to the provisions of paragraph 5.3.

### ARTICLE III

- Term 3.1 The Contractor is authorized to conduct exploration operations during an exploration period which shall be comprised of (i) an initial exploration period of two (2) contract years ("Initial Exploration Period"), and (ii) subject to the conditions hereinafter provided, three (3) successive renewal periods ("First Renewal Period", "Second Renewal Period" and "Third Renewal Period") of two (2) years each. Such renewal periods shall be granted to the Contractor upon the Contractor's request delivered to the Government in writing not later than ninety (90) days prior to the expiration of the then current period, subject to the Contractor having fulfilled his obligations hereunder for the then current period, including the relinquishment provisions of Article IV, and having submitted with such application a work programme and work programme budget for the period of renewal which is consistent with the undertakings set forth in paragraph 6.1.
- 3.2 If at the end of the exploration period, no commercial discovery has been made in any part of the contract area, this Agreement shall automatically terminate in its entirety, provided, however, that the Government undertakes to *grant* an extension for such period, and for such area as may be necessary, in the opinion of the Government and the Contractor, (i) for the Contractor to complete the drilling, testing, appraisal or plugging of any well actually being drilled, tested, appraised or plugged at the end of the exploration period and (ii) for the Government and the Contractor to determine that a discovery resulting from such a well is a commercial discovery pursuant to paragraphs under 6.2.
- 3.3 If a commercial discovery is made in any portion of the contract area during the exploration period, the Contractor will commence development and product operations in that particular portion of the contract area.
- 3.4 In the event of a commercial discovery, the extent of the area capable of production of petroleum from the formation

or formations so identified shall be determined in accordance with the provisions of the paragraphs under 6.2 or Article XIV. The area so determined shall thereupon be converted automatically into a field, with effect from the date of the declaration of the commercial discovery. The term of the development and production period for each field shall extend for twenty-five (25) contract years from the first day of the calendar year commencing after the date of the declaration of the commercial discovery in said field. If Contractor performs in all material respects with its obligations under this Agreement to the satisfaction of the Government, the Contractor shall be entitled to a renewal of this Agreement consistent with the Laws of Belize. In the event of a new commercial discovery as a result of new drilling in formations that underlie and overlie each other in an existing field, such formations shall constitute a single field and the field shall be redefined as necessary to incorporate all underlying and overlying formations, the term of the development and underlying and overlying formations, and the term of the development and production period for such redefined field shall extend for twenty-five (25) contract years from the first day of the first calendar year commencing after the date of the declaration of the latest commercial discovery therein.

#### ARTICLE IV

- Relinquishment
- 4.1 On or before the end of the initial exploration period, the Contractor shall relinquish twenty-five percent (25%) of the original contract area.
  - 4.1.2 On or before the end of the first renewal period the Contractor shall relinquish an additional twenty-five percent (25%) of the original contract area.
  - 4.2 On or before the end of the second renewal period the Contractor shall relinquish an additional area equal to twenty-five percent (25%) of the original contract area.
  - 4.3 At the end of the exploration period, the Contractor shall relinquish the remainder of the original contract area not then converted to a field.
  - 4.4 The size and shape of the portion or portions to be relinquished shall be determined by the Contractor, provided however, that (a) the Contractor shall advise the Government at least ninety (90) days in advance of the date of relinquishment of the description and area of the portion or portions to be relinquished, (b) the Contractor shall consult with the Government regarding the shape and size of each individual portion of the areas being relinquished, (c) the area being relinquished shall not be divided into more than two portions, each of which shall be comprised of, and be defined by reference to, blocks as described in Exhibit B, save where no such area or areas can be identified for relinquishment in accordance with this paragraph without including in such area or areas in whole or in part a field or area in which a discovery has been made which the Contractor is not otherwise required to relinquish hereunder, and (d) each such relinquished individual portion shall be

not less than twenty percent (20%) of the area being relinquished at such time with sides parallel to the boundaries of the original contract area, to the extent that the boundaries of the original contract area permit, and with the longest side not more than three times as long as the shortest side, and shall in any event be of sufficient size and convenient shape to enable petroleum operations to be conducted thereon or thereunder.

- 4.5 The Contractor shall not be obliged to relinquish, pursuant to paragraphs 4.1 and 4.2, any part of the original contract area which has been converted to a field or in which a discovery has been made which the Contractor is not otherwise required to relinquish hereunder.
- 4.6 Upon at least ninety (90) days written notice to the Government prior to the end of any contract year, the Contractor shall have the right to relinquish all or any portion of the contract area effective as of the end of such contract year, subject to the provisions of paragraph 4.4, and such portion shall then be credited against that portion of the contract area which the Contractor is next required to relinquish pursuant to the provisions of paragraphs 4.1 and 4.2.
- 4.7 No relinquishment made in accordance with this Article IV shall relieve the Contractor of: (a) its obligations to make payments due as a result of surface rentals prior to the effective date of any such relinquishment, or (b) the minimum work and expenditure commitments undertaken pursuant to paragraphs 6.1.1 and 6.1.2.
- 4.8 Upon relinquishment of any area, the Contractor shall perform all necessary clean-up activities in accordance with generally accepted practices in the international petroleum industry, and shall take all other action necessary to prevent hazards to human life or third party property.

#### ARTICLE V

General  
Obligations of the  
Contractor

- 5.1 The Contractor shall be responsible for conducting all petroleum operations within the contract area diligently, expeditiously and efficiently in accordance with generally accepted practices in the international petroleum industry and pursuant to work programmes approved in accordance with paragraph 5.4. The Contractor shall ensure that all equipment, materials, supplies, plant and installations used by himself, and his contractors and subcontractors comply with generally accepted standards in the international petroleum industry and are of proper construction and kept in optimal working order.
- 5.2 Except as otherwise provided in this Agreement, the Contractor shall:
- (a) advance all necessary funds and purchase or lease all equipment, materials and supplies required to be purchased or leased in connection with petroleum operations;



- (b) furnish all the technical expertise and assistance, including foreign personnel, required for the conduct of petroleum operations;
- (c) furnish all other funds for the performance of petroleum operations as may be required, including payment to foreign entities that perform services as contractors or subcontractors to the Contractor;
- (d) appoint a local representative and in his absence, a replacement therefor, with respect to this Agreement, who shall have an office and be resident in Belize and who shall have full authority to represent the Contractor for all purposes of this Agreement and whose names shall, on appointment within ninety (90) days after the effective date, be made known to the Government;
- (e) provide acceptable working conditions and living accommodations, and access to medical attention and nursing care, for all personnel employed by him , his contractors and subcontractors in petroleum operations; and
- (f) pay social security for all employees as per the Laws of Belize.

5.3 If, after the effective date, others are granted licenses within the contract area authorizing prospecting for, exploration for or mining of any minerals or other substances other than petroleum, or the Government proceeds with such prospecting, exploration or mining directly in its own behalf, the Contractor shall use his best efforts to avoid obstruction or interference with such licensee's or Government's operations within the contract area. The Government shall use its best efforts to ensure that operations of third parties do not interfere with the Contractor's petroleum operations within the contract area. Additionally, at the request of the Contractor the Government shall notify Contractor (and provide Contractor the name, phone number, and address) of any companies which are granted licenses authorizing them to prospect for, explore for or mine any minerals in the contract area.

5.4 (a) At least ninety (90) days prior to the beginning of each calendar year, or at such other time as is mutually agreed by the parties, the Contractor shall prepare and submit for approval to the Government an annual work programme and work programme budget of petroleum operations and petroleum operations expenditures by quarters for the contract area setting forth the petroleum operations the Contractor proposes to carry out during the ensuing calendar year. Such annual work programmes and work programme budgets shall comply with the minimum work and expenditure obligations described in paragraphs 6.1. Approval by the Government of the proposed annual work programme budget of petroleum operations and petroleum operation expenditures will not be unreasonably withheld or delayed. The Government and the Contractor shall have reached Agreement upon an annual work programme and work programme budget for the period from

the effective date until the end of the calendar year in which the effective date falls or for the ensuing calendar year if the effective date falls after the 30th day of September.

(b) Should the Government wish to propose revisions to the annual work programme or work programme budget, it shall within thirty (30) days after receipt thereof so notify the Contractor specifying in reasonable detail its reasons therefor. Promptly thereafter the parties shall meet and endeavor to agree on the revisions proposed by the Government. If the Contractor and the Government fail to agree upon any revisions proposed by the Government within sixty (60) days of the receipt of the Contractor's proposals, the points of disagreement shall be resolved as follows:

(i) all other aspects of the annual work programme and work programme budget to which the Government proposes revisions shall be mutually agreed on before such aspects of the annual work programme and work programme budget shall be adopted.

(c) It is recognized by the parties that the details of an annual work programme may require changes in light of then existing circumstances. In such event, the Contractor may introduce such changes as may be necessary, following consultation with and approval by the Government (the approval of which shall not be unreasonably withheld), but subject to the following:

(i) in the case of changes to an annual work programme and work programme budget which relate to exploration operations, such changes may be implemented to the extent that they are not inconsistent with the undertakings set forth in paragraph 6.1 or the general objective of such annual work programme;

(ii) in the case of changes to an annual work programme and work programme budget which relate to the development of a field, such changes may be implemented to the extent that they are not inconsistent with the applicable development work programme and work programme budget adopted pursuant to paragraph 6.2 or the general objective of such annual work programme;

(iii) all other changes may be notified in writing to the Government and shall be mutually agreed on before they may be implemented.

(d) To the maximum extent practicable, the Contractor shall involve representatives of the Government in the preparation of the annual work programme and work programme budget.

(e) Within thirty (30) days after the end of each quarter, the Contractor shall submit to the Government a report describing and summarizing petroleum operations carried out, and petroleum operations expenditures incurred during such quarter. Such report shall be in a form acceptable to

the Government.

## ARTICLE VI

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| Minimum Work and Expenditure Obligations | 6.1     | The Contractor shall commence petroleum operations hereunder not later than ninety (90) days after the effective date.   |
| Exploration Period                       | 6.1.1   | The Government recognizes that the Contractor will incur administrative expenditures, exploratory work programme expenditures and, if the exploratory work programme is successful, development expenditures hereunder. The amount to be expended by the Contractor on administrative expenditures shall be an amount reasonably determined by the Contractor to fulfill its obligations hereunder and shall also include contract application fees, acreage fees and other specific administrative items set forth in this Agreement provided that the Contractor submits periodic reports to the Government of all amounts that it has expended. The amount to be expended by the Contractor in conducting exploration operations in accordance with approved work programmes during the exploration period, shall not be less than the following as adjusted pursuant to paragraph 6.1.4. |
|  | 6.1.1.1 | <b>Initial Exploration Period:</b><br><br>(a) First contract year : \$5,000 to \$500,000 US\$.<br><br>(b) Second contract year: \$1,500,000 US\$ less the amount spent in the first contract year of the Initial Exploration period.<br><br>(c) Total for Initial Exploration Period: \$1,500,000 US\$.  |
|  | 6.1.1.2 | <b>First renewal period</b> (if requested by the Contractor pursuant to paragraph 3.1):<br><br>(a) First contract year: \$5,000 to \$500,000 US\$.<br><br>(b) Second contract year: \$1,500,000 US\$ less the amount spent in the first contract year of the first renewal period.<br><br>(c) Total for first renewal period: \$1,500,000 US\$.  |
|  | 6.1.1.3 | <b>Second renewal period</b> (if requested by the Contractor pursuant to paragraph 3.1):<br><br>(a) First contract year: \$5,000 to \$500,000 US\$.<br><br>(b) Second contract year: \$1,500,000 US\$ less the amount spent in the first contract year of the first renewal period.<br><br>(c) Total for second renewal period: \$1,500,000 US\$.  |
|  | 6.1.1.4 | <b>Third renewal period</b> (if requested by the Contractor pursuant to paragraph 3.1):<br><br>(a) First contract year: \$5,000 to \$500,000 US\$.<br><br>(b) Second contract year: \$1,500,000 US\$ less the amount   |

spent in the first contract year of the first renewal period.

(c) Total for third renewal period: \$1,500,000 US\$.

- 6.1.2 The Contractor undertakes to carry out and comply with the following minimum exploratory work programme commitments.
- 6.1.2.1 Initial exploration period: mobilization and shooting of approximately 150 Km. of conventional seismic or 75 Km. of three-D seismic.
- (a) First contract year: Contractor shall begin work on seismic program in the first contract year.
- (b) Second contract year: Contractor will complete mobilization and shooting of approximately 150 Km. of conventional seismic or 75 Km. of three-D seismic by the end of the second contract year.
- 6.1.2.2 First renewal period (if requested by the Contractor pursuant to paragraph 3.1): mobilization and shooting of approximately 150 Km. of conventional seismic (or 75 Km. of three-D seismic) or the drilling of one or more wells with a combined depth of no less than 3,000 meters. The decision to drill or shoot seismic will be made by the Contractor after consultation with the Government.
- 6.1.2.3 Second renewal period (if requested by the Contractor pursuant to paragraph 3.1): mobilization and shooting of approximately 150 Km. of conventional seismic (or 75 Km. of three-D seismic) or the drilling of one or more wells with a combined depth of no less than 3,000 meters. The decision to drill or shoot seismic will be made by the Contractor after consultation with the Government.
- 6.1.2.4 Third renewal period (if requested by the Contractor pursuant to paragraph 3.1): the drilling of one or more wells with a combined depth of no less than 3,000 meters.
- 6.1.3 If, during any contract year in the exploration period, the Contractor should expend more than the required minimum annual exploration expenditures, the Contractor may subtract an amount equal to the excess amount spent from the required minimum exploration expenditures for the ensuing contract year in the exploration period. If works carried out in any contract year exceed the minimum work commitment relating to such contract year as provided in paragraph 6.1.2, the excesses will count towards the satisfaction of the minimum work commitments for the ensuing contract year.

Compliance with the required minimum exploration expenditures for a given contract year shall not relieve the Contractor of his obligation to comply with the required minimum work commitment, nor shall compliance with the required minimum work commitment for a given contract year relieve the Contractor of his obligation to comply with the required minimum exploration expenditures for such contract year.

- 6.1.4 (a) For each period, prior to commencing each phase of the exploratory work programme, the Contractor shall provide the Government with a copy of the contract of work to be performed and shall deposit into an escrow account with the Government the estimated amount to be expended to complete such phase. As work progresses, the Government shall release funds from the escrow account to allow for timely payment of invoices for completed work. This escrow account is intended to satisfy the requirement of Section 17 (d) of the Petroleum Act.
- (b) If Contractor fails to complete any work substantially in accordance with the applicable contract for such work for which money has been escrowed under Paragraph 6.1.4(a), above, then the applicable funds shall be forfeited to the Government unless Contractor can demonstrate that it is working continuously and diligently to cause the work to be completed.
- Discovery and Development Period
- 6.2 The terms and conditions relating to the discovery and development period shall be as follows:
- 6.2.1 When in the course of petroleum operations, a discovery of petroleum is made, the Contractor shall immediately notify the Government in writing accordingly, specifying in such notice all pertinent information concerning the discovery.
- 6.2.2 If the Contractor determines to conduct a drill-stem or production test, in open hole or through perforated casing, with regard to the discovery, he shall notify the Government of that a drill-stem or production test will be made within twenty-four (24) hours of the time that such proposed test has been called, and the Government shall have the right to have a representative present during such test. Not later than ninety (90) days after completion of such test or tests, the Contractor shall complete the analysis and interpretation of the data resulting from such test and submit a report to the Government which shall contain copies of such data and its analysis and interpretation thereof, and which shall also contain a written notification of whether or not, in the Contractor's opinion, such discovery is of potential commercial interest. If the Contractor plugs and abandons the well which encountered such discovery without conducting a drill stem or production test, or fails to conduct a drill stem or production test with respect to such discovery within one hundred and eighty (180) days from the date on which such discovery has been made, it shall be deemed to have notified the Government that, in the Contractor's opinion, such discovery is not of potential commercial interest.
- 6.2.3 If, pursuant to paragraph 6.2.2, the Contractor notifies, or is deemed to have notified, the Government that such discovery is not of potential commercial interest, the Government shall have the option, exercisable by notice in writing to the Contractor, to require the Contractor to relinquish the area corresponding to such discovery and forfeit any rights relating to such discovery and forfeit any rights relating to such discovery and any production therefrom. The area subject to relinquishment shall not exceed the prospective producing area determined by taking

into account the area of the structural closure of the prospective horizon and other relevant technical factors. Any such relinquishment by the Contractor of the area relating to such discovery before the end of the exploration period shall be carried out in accordance with paragraphs 4.4, 4.6 and 4.8.

- 6.2.4 If, pursuant to paragraph 6.2.2, the Contractor notifies the Government that the discovery is of potential commercial interest, the Contractor shall promptly prepare and submit for approval to the Government a reasonable work programme and work programme budget for the appraisal of such discovery. Such appraisal work programme and work programme budget shall include a complete programme of appraisal operations necessary to determine whether such discovery is a commercial discovery.
- 6.2.5 Within fifteen (15) days after the submission of the appraisal work programme and work programme budget pursuant to paragraph 6.2.4, the Contractor and the Government shall meet with a view to adopting such work programme and work programme budget or mutually agreeing upon amendments or additions thereto. Failing agreement between the Contractor and the Government as to such work programme and work programme budget at such meeting, or within fifteen (15) days thereafter, the original appraisal work programme and work programme budget submitted by the Contractor, revised in accordance with any agreed amendments or additions thereto, shall be deemed adopted, and the Contractor shall immediately commence implementation thereof. On adoption of the appraisal work programme and work programme budget, the annual work programme and work programme budget adopted pursuant to paragraph 5.6 shall be revised accordingly.
- 6.2.6 If, pursuant to paragraph 6.2.2, the Contractor has notified the Government that the discovery is of potential commercial interest, it shall, unless otherwise agreed:
- (a) in respect of a discovery of crude oil, advise the Government by notice in writing, whether or not in its opinion, the discovery is commercial within a period of agreed eighteen (18) months from the date on which the Contractor notified the Government that said discovery was of potential commercial interest:
- Provided that in respect of a discovery of crude oil in water depths of more than 600 feet, such period may be increased by mutual agreement from eighteen (18) months to twenty-four (24) months.
- (b) in respect of a discovery of non-associated natural gas, advise the Government by notice in writing, whether or not in its opinion, the discovery is commercial, within such period as may be stipulated in an agreement made pursuant to Article XIV with respect to such discovery or, in the absence of such agreement, within thirty-six (36) months from the date on which the Contractor notified the Government that said discovery was of potential commercial interest.
- 6.2.7 If the Contractor notifies the Government that the discovery is not commercial, or fails to notify the Government that the

discovery is commercial within the periods prescribed in paragraphs 6.2.6(a) and (b), the Government shall have the option, exercisable by notice in writing to the Contractor, to require the Contractor to relinquish the area corresponding to such discovery and forfeit any rights relating to such discovery and any production therefrom. The area subject to relinquishment shall not exceed the prospective producing area determined by taking into account the area of structural closure of the prospective horizon and other relevant technical factors. Any such relinquishment by the Contractor of the area relating to such discovery before the end of the exploration period shall be carried out in accordance with paragraphs 4.4, 4.6 and 4.8.

- 6.2.8 (a) The notice submitted to the Government by the Contractor pursuant to paragraph 6.2.6 (a) and (b) shall be accompanied by a report on the discovery setting forth all relevant technical and economic data, including, but not limited to, geological and geophysical information, areas, thicknesses and extent of the productive strata, petrophysical properties of the reservoir formations, PVT data, the reservoir's productivity indices for the wells tested at various rates of flow, permeability and porosity of the reservoir formations, the relevant characteristics and qualities of the petroleum discovered, additional geological data and evaluations of the reservoir, crude oil and natural gas reserves estimates and any other relevant characteristics and properties of the reservoirs and fluids contained therein, as well as all evaluations, interpretations and analyses of such data and feasibility studies relating to the discovery prepared by the Contractor, his contractors,

- 6.2.9 The Government shall examine the report and any work programme and work programme budget submitted pursuant to paragraph 6.2.8 and may require the Contractor to provide, within a specified period of time, such additional information and data as it may reasonably require to evaluate such report, work programme and work programme budget. As soon as possible after the submission of the report and any work programme and work programme budget pursuant to paragraph 6.2.8 or receipt of such additional information and data, the Government and the Contractor shall meet (i) to determine at such meeting, or at such later date as may be mutually agreed on, the boundaries of the area to be delineated as a field, and (ii) to adopt a work programme and work programme budget for the development of the discovery.
- 6.2.10 (a) At the meeting described in paragraph 6.2.9, the Contractor shall carefully consider and take into account the proposals of the Government and the reasons therefor and shall attempt in good faith to reach an agreement with the Government on the points at issue paying particular consideration to the objective of achieving initial commercial production expeditiously taking into account generally accepted engineering practices and economics of the international petroleum industry.
- (b) If the Government and the Contractor agree upon the boundaries of the area to be delineated as a field and upon the adoption of a work programme and work programme budget for the development of the discovery, the date upon which such agreement is reached, as reflected in writing signed by both parties, shall be the date of the declaration of the commercial discovery for all purposes of this agreement. The area so determined shall, on such date, be automatically converted into a field, and the Contractor shall, as soon as is practicable, commence development and production operations in the field according to the adopted work programme and work programme budget. Upon adoption of the development work programme and work programme budget, the annual work programme and work programme budget adopted pursuant to paragraph 5.6 shall be revised accordingly.
- (c) In the event that no agreement is reached between the Government and the Contractor within one hundred and eighty (180) days from the date of submission of the report and work programme and work programme budget pursuant to paragraph 6.2.8 as to (i) matters relating to the adoption of the work programme and work programme budget for the development of the discovery or (ii) the boundaries of the area to be delineated as a field, the Government or the Contractor may refer the matter for determination pursuant to Article XXIV. The determination in accordance with Article XXIV shall be final and the work programme and work programme budget for the development of the discovery and the boundaries of the area to be delineated as a field, as the case may be, shall be deemed to have been adopted and agreed as determined, except that the Contractor may, within sixty (60) days of receipt of such determination, notify the Government that the discovery to which such work programme and work programme budget



and area so determined is no longer considered to be commercial. If the Contractor so notifies the Government, the provisions of paragraph 6.2.7 shall apply. Failing such notification, the date after sixty (60) days of the receipt of such determination shall be deemed to be the date of the declaration of the commercial discovery for all purposes of this Agreement. The area so determined shall, on such date, be automatically converted into a field and the Contractor shall, as soon as is practicable, commence development and production operations in the field according to the work programme and work programme budget so adopted. Upon adoption of the development work programme and work programme budget as aforesaid, the annual work programme and work programme budget adopted pursuant to paragraph 5.6 shall be revised accordingly.

6.2.11 Notwithstanding any other provision of this Agreement, in the event that initial commercial production has not occurred within three (3) years, in the case of a crude oil discovery on land or in water depths of less than six hundred feet (200 m), or five (5) years, in the case of non-associated natural gas discovery, or such longer period as the Government may have agreed in the development work programme and work programme budget, from the date of declaration of commercial discovery for a field, the Contractor shall relinquish the area comprising such field and shall forfeit any rights relating to such field and any production therefrom.

Production Period 6.3 The terms and conditions of the production period shall be as set out below.

6.3.1 The Contractor shall produce crude oil from the contract area at a rate not to exceed the maximum efficient rate. In conjunction with the adoption of the development work programme and work programme budget pursuant to paragraph 6.2.10 the Contractor and the Government shall establish at that time the maximum efficient rate of production for crude oil and the production rate for non-associated natural gas. Such rates shall be reviewed annually at the time of submission of the annual work programme by the Contractor pursuant to paragraph 5.4 and revised, if necessary, by mutual agreement. In the case of non-associated natural gas, the production rate shall not be required by the Government to be less than that required to satisfy any contracts then in existence for the sale of such natural gas.

6.3.2 Not less than ninety (90) days prior to the beginning of each calendar year following initial commercial production, the Contractor shall prepare and furnish to the Government for approval a forecast statement setting forth by quarters the total quantity of crude oil (by quality, grade and gravity) and natural gas that the Contractor estimates can be produced, saved and transported hereunder during such calendar year in accordance with generally accepted practices in the international petroleum industry. The Contractor shall endeavor to produce in each calendar year the forecast quantity. The crude oil shall be run to storage tanks, constructed, maintained and operated by the Contractor in accordance with Government Regulations, in which such crude oil shall be metered or otherwise measured for all

purposes required by this Agreement.

#### ARTICLE VII

Obligations of the  
Government

The Government shall:

- 7.1 assist the Contractor in the execution of work programmes by supplying or otherwise making available all geological, geophysical, geographical, drilling, well, production and other information, including well location maps, relating to the contract area in the possession of the Government or coming into the possession of the Government which are classified as non-confidential;
- 7.2 provide the right of ingress to and egress from the contract area and any facilities used in petroleum operations, and, upon application in the prescribed manner, all necessary visas, work permits, import licenses and rights of way and easements as may be required by the Contractor and his contractors and subcontractors and which may be available from resources within the Government's control.

#### ARTICLE VIII

Royalty  
Production  
Payment

- 8.1 The Contractor shall pay to the Government a royalty equal to (i) seven and one half percent (7.5%) of the value of the annual gross production of crude oil produced and saved in each calendar year and not used or consumed in petroleum operations and (ii) five percent (5.0%) of the value of the annual gross production of natural gas produced, saved and sold in each calendar year and not used or consumed in the conduct of petroleum operations.
- 8.2 The royalty with respect to crude oil shall be payable in cash and/or kind at the option of the Government. The royalty with respect to natural gas shall always be paid in cash.
- 8.3 For the purposes of determining the amount of the royalty due, crude oil and natural gas shall be valued in accordance with paragraphs 10.1, 10.2 and 14.4, less such costs as the Government may reasonably allow for handling and transportation from the wellhead to the delivery point as described in such paragraphs, and the royalty shall be payable quarterly within thirty (30) days of the end of each quarter on the basis of crude oil production or natural gas sales which occur in each such quarter. Payment shall be accompanied by a certificate from the Contractor setting forth in detail the basis for computation of the royalty. Such certificate shall be in a form acceptable to the Government.
- 8.4 If the Government elects to take the Royalty with respect to Crude Oil, or any part thereof, in kind, it shall notify the Contractor in accordance with the provisions of paragraph 11.2.

#### ARTICLE IX

Discovery of  
Petroleum  
Operations  
Expenditures:  
Production

- 9.1 In each calendar year, after discharging its obligation for the royalty payment due to the Government pursuant to Article VIII, the Contractor shall be entitled to recover all petroleum operations expenditures incurred hereunder, out of one

Sharing

hundred percent (100%) of the petroleum produced and saved in such calendar year and not used in petroleum operations by retaining and disposing of that amount of petroleum equal in value to the unrecovered petroleum operations expenditures for that calendar year plus all unrecovered petroleum operations expenditures from prior calendar years. All such petroleum operations expenditures shall be recovered without a ceiling in the manner, to the extent provided for, in the Income Tax (Amendment) Act (No. 9 of 1991) as amended (No. 7 of 1999). For the purpose of determining the value of the quantity of petroleum to which the Contractor is entitled in each calendar year pursuant to this paragraph 9.1, the provisions of Article X shall be applied.

9.2 The remaining quantity of petroleum produced and saved in a given calendar year and not used in petroleum operations, after deduction of the value of the royalty payments made in such calendar year and after recovery by the Contractor of petroleum operations expenditures pursuant to paragraph 9.1, ("Net Petroleum") shall be taken and disposed of separately by the Government and the Contractor in each calendar year in the following proportions:

	Government's Share Percent (%)	Contractor's Share Percent (%)
<b>Daily Average Production</b>		
First 50,000 barrels	5%	95%
Next 50,000 barrels	10%	90%
Next 50,000 barrels	15%	85%
Next 50,000 barrels	20%	80%
Any volume over first 150,000 barrels	25%	75%

#### ARTICLE X

Valuation and  
Measurement of  
Petroleum

- 10.1 Crude oil sold to third parties shall be valued at the net realized price at the delivery point, well-head or point of collection in Belize received by the Contractor for such crude oil.
- 10.2 Crude oil sold to other than third parties shall be valued as follows:
- 10.2.1 By using the weighted average unit price received by the Contractor from sales to third parties at the delivery point, net of any commissions and brokerages paid in relation to such third party sales, during the ninety (90) days preceding such sale, adjusted as necessary for quality, grade and gravity, and taking into consideration any special circumstances with respect to such sales, unless less than fifty percent (50%), by volume, of crude oil sales during such

period are made to third parties, in which case crude oil sold to other than third parties shall be valued in accordance with paragraph 10.2.2.

- 10.2.2 If no third party sales have been made during such period of time, then (a) on the basis used to value other crude oil from Belize of similar quality, grade and gravity (or, if not similar, adjusted as necessary for quality, grade and gravity) and taking into consideration any special circumstances with respect to sales of such crude oil, or (b) if there is no other crude oil from Belize, on the basis used to value crude oil from other sources in the Caribbean, Central America, Colombia and Venezuela as posted in Platt's Oil Gram for Caribbean / Central American Crudes of similar quality, grade and gravity and taking into consideration any special circumstances with respect to sales of such similar crude oil.
- 10.3 Natural gas shall be valued in accordance with the provisions of paragraph 14.4.
- 10.4 Third party sales referred to in this Article shall mean sales other than barter sales made by the Contractor to purchasers who are not affiliated companies of the Contractor in arms length transactions and with whom (at the time the same is made) the Contractor has no contractual interest involving directly or indirectly any joint interest.
- 10.5 Commissions or brokerages incurred in connection with sales to third parties, if any, shall not exceed the customary and prevailing rate.
- 10.6 In the event that petroleum operations involve the segregation of crude oils of different quality, grade or gravity, and if the parties do not otherwise mutually agree, any and all provisions of this Agreement concerning valuation of crude oil shall separately apply to each segregated crude oil. However, in electing to take crude oil for internal consumption pursuant to paragraph 11.7 and to take royalty in kind pursuant to paragraph 11.2, the Government shall have the right to receive, at its own expense and risk, crude oil of the quality, grade and gravity of its choice.
- 10.7 The Contractor shall supply, operate and maintain equipment for measuring the volume and quality of the petroleum produced and saved hereunder, including gravity, density, temperature and pressure measuring devices and any other devices that may be required. All measurement equipment and devices shall, prior to their installation or usage, be approved by the Inspector of Petroleum. Such equipment and devices shall at all reasonable times be available for inspection and testing by the Inspector of Petroleum or other authorized representatives. Any such inspection or testing shall not interfere with the normal operation of the facilities involved. The equipment and devices used or installed pursuant to this paragraph shall not be replaced or altered without the prior approval of the Government.
- 10.8 The Contractor shall undertake to measure the volume and quality of the petroleum produced and saved hereunder,

consistent with generally accepted practices in the international petroleum industry, with the frequency and according to procedures which shall be approved by the Government.

- 10.9 The Contractor shall give the Inspector of Petroleum at least twenty four (24) hours notice of its intention to conduct measuring operations and the Inspector shall have the right to be present at and supervise, either directly or through authorized representatives, such operations.
- 10.10 If it is determined, following an inspection or test carried out by the Government or its representatives, that the equipment, devices or procedures used for measurement are inaccurate and exceed the permissible tolerances which shall be established by agreement between the Government and the Contractor, and such determination is verified by an independent surveyor acceptable to both parties, such inaccuracy shall be deemed to have existed for one-half of the period since the last previous such inspection or test, unless it is proved that such inaccuracy has been in existence for a longer or shorter period. Appropriate adjustments covering such period shall be made within thirty (30) days from the date of such determination.

#### ARTICLE XI

Marketing, Royalty  
In Kind and  
Domestic  
Requirements

- 11.1 The Contractor shall be obligated to market all crude oil produced and saved from the contract area, subject to the provisions hereinafter set forth.
- 11.2 If the Government elects to take the royalty payment on crude oil in kind, it shall so notify the Contractor in writing not less than sixty (60) days prior to the commencement of each six month semester of each calendar year specifying the quantity, and designating the grade and quality that it elects to take in kind, based upon estimates, including those contained in the forecast statement furnished pursuant to paragraph 6.3.2. Final adjustments shall be made within ninety (90) days of the end of each calendar year on the basis of actual quantities.
- Such notice shall be effective for the ensuing six month semester of that calendar year. Failure to give such notice shall be conclusively deemed to indicate the election by the Government not to take in kind.
- 11.3 Any sale by the Contractor of any part of the Government's share of crude oil production shall not be for a term expiring more than six (6) months after the date of execution of the sales contract without the Government's written consent. If the Government so consents, the Government shall not exercise its rights to receive crude oil in kind pursuant to paragraph 11.2.
- 11.4 Any sale by the Contractor of any part of its share of the crude oil produced and saved from the contract area shall not be for a term expiring more than twelve (12) months after the date of execution of the sales contract without the Government's written consent. The Government shall not exercise its rights under paragraph 11.7 to require the

Contractor to satisfy the internal consumption requirements of Belize from crude oil which is subject to such contract.

- 11.5 Crude oil which the Government has elected to take in kind shall be delivered by the Contractor, free of cost to the Government, at regularly spaced intervals at the delivery point or to the Government's storage facilities in the field, or both, at the option of the Government. The Government shall provide at such delivery points, at its sole risk and expense, all storage, transportation and other facilities necessary to receive such crude oil, provided, however, that if the Government requests, the Contractor shall provide adequate storage facilities at such places, free of charge, at the risk of the Government, for a quantity of the Government's crude oil not exceeding one hundred thousand (100,000) barrels for each field. If such storage is provided, and the Government has no need for such storage capacity, Contractor has the right to use such storage capacity for its own use.
- 11.6 If the Government elects to meet all or part of the requirements of the domestic market of Belize from crude oil production in Belize, it shall use its share of production from all crude oil production in Belize to do so. If in any year there is domestic demand in excess of the Government's share of such production, the Government may require the Contractor to sell crude oil in Belize on a pro rata basis with other producers in Belize on a pro rata basis with other producers in Belize, according to the quantity of crude oil production of each producer in each year. The Government shall give the Contractor at least three (3) months notice in advance of such requirement and the term of supply will be on an annual basis. The price for such sales shall be the price as calculated pursuant to paragraph 10.2 above.
- 11.7 If the Government elects to exercise its rights under paragraph 11.6, it shall notify the Contractor in accordance with the provisions of paragraph 11.2 relating to the Government's election to take royalty payment in kind. The amounts to be taken shall be based upon estimates, including those contained in the forecast statement furnished pursuant to paragraph 6.3.2, and final adjustments shall be made within ninety (90) days of the end of each calendar year on the basis of actual quantities.
- 11.8 Not less than twelve (12) months prior to initial commercial production in any field, the Contractor shall submit to the Government for approval, proposed procedures and related operating regulations and financial terms covering the scheduling, storage and lifting of crude oil from such field. The procedures, regulations and terms shall be in accordance with accepted standards and practices in the international petroleum industry and comprehend the subjects necessary to efficient and equitable operations including, but not limited to: rights of parties, notification time, maximum and minimum quantities, duration of storage, scheduling, conservation, spillage, liabilities of the parties, and penalties for over and under lifting, safety and emergency procedures.

## ARTICLE XII

- Payment Procedure
- 12.1 All payments due to the Government hereunder shall be made in United States dollars at a bank to be designated by the Government, or at the Contractor's election, such other currency as is acceptable to the Government.
- 12.2 All payments due to the Contractor hereunder shall be made in United States dollars at a bank to be designated by the Contractor, or, at the Government's election, such other currency as is acceptable to the Contractor.
- 12.3 Except as otherwise expressly provided herein, all payments required to be made pursuant to this Agreement shall be made within thirty (30) days following the end of the calendar month in which the obligation to make such payment occurs.
- 12.4 If any payment is not made when due, such unpaid amount shall bear interest from and after the due date at an interest rate compounded annually at two percent (2%) greater than the London Interbank Offer Rate (LIBOR).

## ARTICLE XIII

- Surface Rental and Administration Fee
- 13.1 The Contractor shall be liable for payment of such fees and surface rentals as are stipulated in the Petroleum Regulations 1992. The fees payable for each year shall be paid in advance and in accordance with paragraph 12.3. The fees for the first year shall be paid within thirty (30) days with reference to the effective date of this Agreement.

## ARTICLE XIV

- Natural Gas
- 14.1 The Contractor shall have the right to use associated natural gas for petroleum operations, including reinjection for pressure maintenance in the field or adjacent fields of the Contractor. Associated natural gas which is, in the opinion of both the Contractor and the Government, not economical, shall be returned to the subsurface structure, or may be flared with the consent of the Government. In the event that the Contractor chooses to process and sell associated natural gas, the Contractor shall notify the Government of the same and upon such notification, the Government and the Contractor shall, as soon as practicable thereafter, meet together with a view to reaching an agreement on the production, processing and sale of such gas. In the event the Contractor chooses not to process and sell associated natural gas, the Government may elect to off-take at the outlet flange of the gas-oil separator and use such associated natural gas which is not required for petroleum operations. There shall be no charge to the Government for such associated natural gas, provided that the cost to gather such associated natural gas in the field at the point of being flared and to process and utilize it shall be for the account of the Government.
- 14.2 Where non-associated natural gas is discovered in the contract area and the Contractor has, pursuant to paragraph 6.2 informed the Government that the discovery is of potential commercial interest, the Government and the

Contractor will, on completion of the appraisal programme relating to such discovery, or sooner if so agreed, meet together with a view to reaching an agreement on the development, production, processing, utilization, disposition or sale of such gas.

- 14.3 In the event that the development, production, processing, utilization, disposition or sale of natural gas from the contract area is determined by the parties to be economically feasible in accordance with this Article (XIV), the costs of development and production of the same from the reservoir to the delivery point, and the revenue derived therefrom, shall, unless otherwise agreed pursuant to paragraphs 14.1 and 14.2, be included in petroleum operations expenditures and gross revenues, respectively, for all purposes of this Agreement, subject to the accounting procedure outlined in the Bulletin of the Income Tax Commissioner (Annex 1).
- 14.4 The price to be paid for natural gas, or the value to be attributed thereto shall -
- 14.4.1 for sales to third parties, be equal to the net realized price obtained by the Contractor for such Natural Gas at the delivery point;
- 14.4.2 for sales other than to third parties, be determined by agreement between the Government and the Contractor, provided, however, that such price or value shall reflect the following: (i) the quality and quantity of the natural gas (ii) the price at which sales of natural gas from other sources in Belize, if any, are then being made, (iii) the price at which sales, if any, of natural gas imported into Belize are being made, (iv) the purpose for which the natural gas is to be used, and (v) the international market price of competing or alternative fuels or feedstocks.
- 14.4.3 Third party sales shall mean sales as described in paragraph 10.4

## ARTICLE XV

### Taxes

- 15.1 The Contractor and his contractors and subcontractors shall be obligated to pay income tax for the applicable calendar year upon net taxable income derived from petroleum operations pursuant to the Income Tax Act.
- 15.2 In each calendar year, the Contractor's income tax shall be payable to the Government in installments on the last day of each quarter on the basis of the estimate, and quarterly updates thereto, provided to the Government. The estimated unpaid liability for income tax for each calendar year as of the current estimate or quarterly update shall be payable equally over the remaining quarterly installments for such calendar year. Adjusting payments or refunds, as the case may be, shall be made within ninety (90) days of the end of the calendar year based upon the detailed accounts submitted for such calendar year pursuant to paragraph 26.2 as approved by the Government.
- 15.3 (a) The Contractor shall within ninety (90) days of the end of each calendar year, notify the Government of any and all



amounts paid to its contractors with respect to operations carried out by them in Belize and in turn shall notify its contractors that they must similarly advise the Government within ninety (90) days after the end of each calendar year of any and all amounts paid to their sub-contractors with respect to operations carried out by them in Belize.

(b) The Contractor shall also advise each of its contractors, and shall require such contractors to likewise notify their subcontractors that for every six (6) months such contractors and subcontractors shall furnish to the Government a list of all their Belizean and expatriate personnel, along with the remuneration received by each of such personnel, and that they shall be required, prior to leaving Belize to establish to the satisfaction of the Government that the necessary income taxes have been paid.

15.4 The Contractor and his contractors and subcontractors and their respective personnel shall be obligated to pay such reasonable transfer taxes and stamp taxes as may be in effect from time to time at the rates which are generally applicable to all persons or entities in Belize.

15.5 Except as may be otherwise agreed on in writing between the Government and the Contractor, all transactions giving rise to revenues, costs or expenses which will be credited or charged to the books, accounts, records and reports prepared, maintained or submitted hereunder shall be conducted at arm's length or on such a basis as will assure that all such revenues, costs or expenses will not be higher or lower, as the case may be, than would result from a transaction conducted at arm's length on a competitive basis with third parties.

#### ARTICLE XVI

Exemptions from  
Custom Duties

16.1 The Contractor and his non-Belizean contractors and subcontractors engaged in conducting petroleum operations under this Agreement shall be permitted to import upon application to and approval by the Minister of Finance for exemptions from customs duties with respect to the importation of, machinery, equipment, spare parts, materials, supplies, consumable items, moveable property, and any other items or articles connected with petroleum operations, subject to the provisions of paragraph 16.2.

16.2 The exemptions provided in paragraph 16.1 shall not apply to any imported item when, in the reasonable opinion of the Government, items of the same, or substantially the same, kind and quality are manufactured locally and are available for purchase and timely delivery at the Contractor's operating base in Belize at a price equal to the cost of the imported item(s).

16.3 The Government reserves the right to inspect during normal business hours the records, documentation or the physical item or items for which an exemption is or has been provided under paragraph 16.1 to determine that such item or items are being or have been imported solely for the purpose for which the exemption was granted.

- 16.4 The item or items exempt from customs duties hereunder shall not be sold to third parties (who are not in their own right exempt from such customs duties) for use or consumption in Belize unless prior written authorization is obtained from the Government and the importing party pays the tax or duty due on the assessed value of such item or items at the time of sale.
- 16.5 Any of the items imported into Belize, whether exempt or non-exempt from customs duties, may be exported by the importing party at any time without the payment of any export duties, taxes or imposts.
- 16.6 "Custom duties" as used herein shall include all duties, taxes, or imposts (except those charges, as may be in force from time to time, paid to the Government for actual services rendered such as normal handling and storage charges) which are payable as a result of the importation of the item or items under consideration.
- 16.7 The Contractor shall be exempted from any duty, fee or any other financial imposts (except those charges paid to the Government for actual services rendered such as normal handling and storage charges (if any) in respect of the export of petroleum to which the Contractor is entitled hereunder.
- 16.8 The Contractor shall not, directly or indirectly, export any petroleum produced from the contract area to any country or person which the Government has by law or official pronouncement declared to be hostile or unfriendly.

## ARTICLE XVII

Change and  
Currency Controls

- 17.1 The Contractor shall be subject to the applicable exchange control legislation and regulations in effect from time to time in Belize, provided, however, that:
- (i) the Contractor shall be permitted to freely dispose of any crude oil produced after satisfying its obligations of payment of taxes, bonuses, royalties and other fees to the Government and with the prior approval of the Central Bank of Belize to receive and hold the proceeds from the sale of any petroleum, crude oil, natural gas and casinghead petroleum spirit produced therefrom in its offshore banking account;
  - (ii) the Contractor shall be permitted to remit any profits, dividends, capital, or sums owed in repayment of loans including sums owed to affiliates, which are not required for conducting the petroleum operations, to their home office or nonresident shareholder free of any charges, taxes, imposts or other duties;
  - (iii) the Contractor shall have the right to establish and maintain local bank accounts which may be denominated in Belize dollars or, subject to the prevailing conditions of the Central Bank of Belize in US dollars which may be utilized as necessary for payment of Contractor's obligations in Belize;

(iv) no restriction shall be placed on the importation by the Contractor of funds necessary for carrying out the petroleum operations stipulated in this Agreement;

(v) the Contractor shall have the right to pay directly outside of Belize from its offices abroad for purchases or services for petroleum operations hereunder, provided, however, that no such payments shall be made to residents of Belize or to firms using Belize as their main base of operations (whether natural or juridical) contrary to the Laws of Belize.

#### ARTICLE XVIII

Title to Equipment	18.1	All equipment and assets which are fixed installations and are not exported by the Contractor under paragraph 16.6 shall become the property of the Government without cost as soon as this Agreement is terminated.
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#### ARTICLE XIX

Government Participation	19.1	The Government shall have the option to acquire for itself or for its designee an undivided and unencumbered working interest of up to ten percent (10%) of the total interest of the Contractor in this Agreement and in return therefor shall furnish its participating interest share of the funds as provided in paragraphs 19.3.
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19.2	Within ninety (90) days following the date of declaration of commercial discovery for any field, the Government, by written notice to the Contractor, may exercise its option to participate in this Agreement. If the Government exercises its option to participate, (a) it shall promptly reimburse the Contractor an amount equal to ten percent (10%) of all exploration expenditures incurred prior to the date of declaration of commercial discovery for such field and (b) the Contractor (or each corporation, individual or entity comprising the Contractor at that time pro rata) shall assign and transfer to the Government or its designee the percentage interest that the Government has opted to acquire. The Government or its designee shall assume all rights and obligations of the Contractor pro rata with its participating interest, in connection with this Agreement.
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19.3	The Government may, upon giving the Contractor reasonable written notice, require the Contractor to lend the Government up to fifty percent (50%) of the funds required to pay the Government's pro-rata share of expenditure. The loan shall bear interest at LIBOR plus three percent (LIBOR plus 3%), calculated on an annual basis, and the term of the loan shall be no longer than ten (10) years.
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#### ARTICLE XX

Training and Employment	20.1	The Contractor agrees to train and employ qualified nationals of Belize in its petroleum operations and, after initial commercial production, will undertake the schooling and training of nationals of Belize for staff positions, including administrative and executive management positions. The Contractor will require his contractors and subcontractors to do the same. The Contractor undertakes to gradually replace its expatriate staff with qualified nationals of Belize as they become available. An annual
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programme for training and phasing in of nationals of Belize shall be established by the Contractor and shall be submitted for approval to the Government. Such programme shall be included in the annual work programmes submitted by the Contractor pursuant to paragraph 5.4. Within thirty (30) days of the end of each calendar year, the Contractor shall submit a written report to the Government describing the number of personnel employed, their nationality, their positions and the status of training programmes for nationals of Belize.

20.2 The Contractor shall also be required to establish a programme, satisfactory to the Government, to train personnel of the Government to undertake skilled and technical jobs in petroleum operations for the Government. Such programme shall also include provisions for involving representatives of the Government in preparation of the annual work programme and work programme budgets as required by paragraph 5.4 (d).

20.3 The Contractor shall be responsible for on-the-job training of Belizean nationals during the exploration and development periods pursuant to paragraphs 20.1 and 20.2. Commencing with the first contract year following initial commercial production in the first field, the Contractor shall undertake responsibility of training Belizean nationals at a cost not to exceed \$25,000 US\$ per each calendar year in accordance with paragraphs 20.1.

#### ARTICLE XXI

Purchases in  
Belize

21.1 In procurement, the Contractor shall give preference to goods which are produced or available in Belize and services which are rendered by nationals of Belize and companies of Belize, provided such goods and services are offered on terms equal to or better than imported goods and services with regard to quality, price and availability at the time and in the quantities required.

21.2 Locally produced or available equipment, materials and supplies shall be deemed equal in price to imported items if the local cost of such locally produced or available items at the Contractor's operating base in Belize is not more than ten percent (10%) higher than the cost of such imported items before customs duties but after transportation and insurance costs have been added.

#### ARTICLE XXII

Unitization

22.1 If a field is designated within the contract area and such field extends beyond the contract area to other areas of Belize over which other parties have the right to conduct exploration, development and production operations the Government may require that the development of the field and the production of petroleum therefrom be carried out in collaboration with the other contractors consistent with accepted practices in the international petroleum industry. The same rule shall be applicable if deposits of petroleum within the contract area, although not equivalent to a commercial discovery if developed alone, would be deemed to be a commercial discovery if developed with those parts

of the deposits which extend to areas controlled by other contractors.

22.2 If the Government so requests, the Contractor shall collaborate with other contractors in preparing a collective proposal for common development and production of the deposits of petroleum for approval by the Government.

22.3 If the proposal for common development and production has not been presented within ninety (90) days of the request described in paragraph 22.2, or if the Government does not approve such proposal, the Government may prepare or cause to be prepared, for the account of the Contractor and the other contractors involved, a reasonable plan for common development and production. If the Government adopts such plan, the Contractor shall comply with all

contractor's account.

- 23.2 The Contractor shall undertake relevant environmental studies to identify any and all source(s) of potential pollution which may cause harm and damage to the environment prior to the commencement of any drillings operations in Belize. Upon execution of this Agreement the Contractor shall pay a one time fee of \$2,000 US\$ to be contributed to a research fund to undertake research for the protection of manatees and any other endangered species which may be found in the contract area. Contractor may elect to make additional contributions at its sole discretion.

#### ARTICLE XXIV

Arbitration

- 24.1 If any time during the continuance of this contract or any renewal thereof or after the termination thereof any question, disagreement or dispute shall arise regarding this contract or any matter or thing connected therewith or the breach thereof or the powers, duties, or liabilities of the parties thereunder, the parties shall first attempt to amicably solve the question, disagreement or dispute between themselves by consulting and negotiating with each other in good faith. If the Government and the Contractor are not able to amicably resolve their differences within a period of forty-five (45) days after such difference arises, then the dispute or differences shall be finally settled by arbitration in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (hereinafter referred to as UNCITRAL Arbitration Rules).
- 24.2 The number of arbitrators shall be three. The Government shall appoint one and the Contractor shall appoint one. The two arbitrators thus appointed shall choose the third arbitrator who will act as the Presiding Arbitrator. If the two arbitrators cannot come to an agreement on the designation of the third, the third arbitrator shall be designated in accordance with the UNCITRAL Arbitration Rules.
- 24.3 The place of arbitration shall be Belmopan, Belize if at the time of such arbitration, Belize is recognized as a member state of the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards ("New York Convention"). If Belize is not a member state of the New York Convention at that time, the place of arbitration shall be Mexico City, Mexico.
- 24.4 The language to be used in the arbitration proceeding shall be English.
- 24.5 The arbitral tribunal shall decide all questions presented on the basis of:
- (a) the laws and regulations of Belize applicable to this Agreement and other relevant laws, both national and international;
  - (b) the provisions of the Agreement, and
  - (c) trade usages and customs of the international petroleum industry.

- 24.6 Arbitral awards shall be final and binding upon the parties from the date they are made and judgment upon the award may be entered in any court having jurisdiction.

#### ARTICLE XXV

- Termination 25.1 The Government shall have the right to terminate this Agreement upon giving thirty (30) days written notice of its intention to do so if the Contractor (a) fails to make any monetary payment required by law or under this Agreement for a period of thirty (30) days after the due date for such payment, (b) fails to comply with any other material obligation that he has assumed under this Agreement, or (c) fails to comply with the Petroleum Act (No. 8 of 1991) and any applicable lawful acts, regulations, orders or instructions issued by the Government or any department or agency of the Government.
- 25.2 If the circumstance or circumstances that result in termination under paragraph 25.1(a), (b) or (c) are remedied by the Contractor within the thirty (30) days period following the notice of termination as aforesaid, such termination shall not become effective.
- 25.3 If the circumstance or circumstances that would otherwise result in termination under paragraph 25.1 (b) or (c) are the result of force majeure, then termination shall not take place so long as such force majeure continue and for such period thereafter as is reasonable.
- 25.4 The termination of this Agreement for whatever reason shall be without prejudice to the obligations incurred and not discharged by the Contractor prior to the date of termination.
- 25.5 In the event of termination pursuant to paragraph 25.1 or 25.7, the Government may require the Contractor, where reasonable, for a period not to exceed one hundred eighty (180) days, to continue, for the account of the Government at the Government's sole risk and expense, crude oil or natural gas production activities until the right to continue such production has been transferred to another entity.
- 25.6 Within ninety (90) days after the termination of this Agreement pursuant to paragraph 25.1 or paragraph 25.7, unless the Minister has granted an extension of this period, the Contractor shall complete any reasonably necessary action as directed by the Government to avoid environmental damage or a hazard to human life or third party property.
- 25.7 In the event the Government fails to perform its obligations under this Agreement, the Contractor may, upon giving the Government ninety (90) days prior written notice, terminate this Agreement provided the Government has not complied with such obligations within the ninety (90) day notification period. Additionally, Contractor shall have the right to terminate this Agreement totally, or partially, (a) with respect to any part of the contract area other than a field then producing, or that prior thereto had produced, crude oil or natural gas upon giving thirty (30) days written notice of its intention to do so, and (b) with respect to any field then

producing, or that prior thereto had produced crude oil or natural gas upon giving ninety (90) days written notice of its intention to do so. Upon termination, the provisions of paragraphs 4.7 and 4.8 shall apply.

#### ARTICLE XXVI

Books, Accounts  
and Audits,  
Records, Reports  
and Inspections

- 26.1 The Contractor shall be responsible for keeping complete accounts, books and records reflecting all petroleum operations expenditures and gross revenues consistent with generally accepted procedures and standards in the international petroleum industry and in accordance with the accounting procedure outlined in the Bulletin of the Income Tax Commissioner (Annex 1).
- 26.2 Within ninety (90) days after the expiration of each calendar year, the Contractor shall submit to the Government detailed accounts showing all petroleum operations expenditures and all gross revenues during the past calendar year. Before submission to the Government, the accounts shall be audited by an independent chartered accountant or certified public accountant acceptable to both parties, at the expense of the Contractor. It is understood that the Government retains the authority to review and audit the Contractor's accounts, books and records with respect to petroleum operations conducted hereunder either directly or through an independent accountant designated by the Government.
- 26.3 The Government and its duly authorized representatives shall have full and complete access to the contract area at all reasonable times with a right to observe petroleum operations and shall have the right to inspect all assets, records, books, accounts and data kept by the Contractor relating to petroleum operations and this Agreement. In so doing, the Government and its representatives shall not unduly interfere with the Contractor's petroleum operations. However, the Government and its representatives may make a reasonable number of surveys, drawings, tests and copies for the purpose of implementing this Agreement. In doing so, the Government and its representatives shall be entitled to make reasonable use of the equipment and instruments of the Contractor provided that no damage to the equipment or instruments or impediment to the petroleum operations hereunder shall result from such use. The Government shall indemnify and reimburse the Contractor for any loss or damage which may in fact result from any such use of equipment and instruments, provided that such loss or damage is reported to the Government within twenty-four (24) hours from the time of such inspection. The Government and its representatives shall be given reasonable assistance by the Contractor for such functions, and the Contractor shall afford to the Government and its representatives all facilities and privileges afforded to its own personnel in the field.
- 26.4 The Contractor shall prepare and maintain accurate and current records of its activities in the contract area hereunder. The Contractor shall furnish the Government in conformity with the applicable regulations, and as the Government may reasonably require, information, reports and data concerning its activities and operations under this



Agreement.

- 26.5 The Contractor shall save and keep for the duration of this Agreement all unused cores and samples taken from the wells drilled, which shall be forwarded to the Inspector of Petroleum or his authorized representatives at such time and in the manner directed by the Government. All cores and samples acquired by the Contractor shall be available for inspection by the Inspector of Petroleum or his authorized representatives at all reasonable times. Unless previously forwarded to the Government pursuant to instructions given under this paragraph, the Contractor shall forward to the Government all remaining cores and samples upon the expiration or termination of this Agreement.
- 26.6 Unless otherwise agreed to by the Government, in the case of exporting any rock or petroleum samples from Belize for the purpose of testing and analysis, samples equivalent in size and quantity shall, before such exportation, be delivered to the Inspector of Petroleum.
- 26.7 Originals of records and other data can be exported only with the permission of the Government, provided, however, that magnetic tapes and any other data which must be processed or analyzed outside Belize may be exported if a comparable record is maintained in Belize and provided that such exported records and data shall be repatriated to Belize.
- 26.8 The Contractor shall provide to the Inspector of Petroleum in appropriate form all original data resulting from petroleum operations, including, but not limited to, geological, geophysical, petrophysical engineering, well logs, production data and completion status reports and any other data which the Contractor may compile during the term hereof including all reports, analyses, interpretations, maps and evaluations thereof prepared by the Contractor and any contractors, subcontractors or consultants to the Contractor or by affiliated companies, and cuttings of all samples that have been obtained or compiled during the term hereof ("data"). The Government shall have title to all such data. Such data shall not be disclosed to third parties by the Government prior to relinquishment of the area to which they relate, or prior to the end of the exploration period if such area is not sooner relinquished, provided, however, that the Government may make copies available to professional consultants, legal counsel, accountants, underwriters, lenders and such Government entities as may need to be made aware thereof or have the right to require disclosure. In any event, the Contractor may retain copies of all such data. The Contractor shall not disclose such data to any third parties without the Government's prior written consent, provided, however, that the Contractor may make copies available to professional consultants, legal counsel, accountants, underwriters, lenders, affiliated companies and contractors and subcontractors of the Contractor and such government entities as may need to be made aware thereof or have the right to require disclosure. Any data which are disclosed by the Government or the Contractor to third parties pursuant to this paragraph (26.8) shall be disclosed

on terms which ensure that such data are treated as confidential by the recipient. To the extent that there is any inconsistency between the provisions of this paragraph (26.8) and the provisions of Article XXXIII, the provisions of this paragraph (26.8) shall govern.

## ARTICLE XXVII

Insurance and  
Indemnification

27.1

The Contractor shall maintain in force a third party liability insurance policy covering the activities of himself, his contractors and subcontractors and the employees of all such parties. Such insurance policy shall include the Government as an additional insured, shall waive subrogation against the Government, and shall provide that it may not be canceled except upon thirty (30) days prior written notice to the Government. A certificate evidencing such insurance policy shall be furnished to the Government within ninety (90) days of the effective date or thirty (30) days before commencement of seismic operations whichever is later. The contractor shall procure at his own expense and maintain in full force at all times, where applicable and available in the insurance market, the following:

1. Workmen's Compensation Insurance in full compliance with the laws of the applicable country and state of hire.
2. Employer's liability Insurance.
3. Commercial General Liability Insurance with Bodily Injury (other than automobile)
4. Pollution Liability: Sudden and accidental pollution liability on a claims made basis.
5. Umbrella Liability or Excess Insurance: Excess liability insurance pursuant to an "umbrella" policy covering claims in excess of the underlying insurance as set forth in (3) above.
6. Automobile Liability: Coverage with Bodily Insurance and Property Damage with combined Single Limit per Occurrence.
7. Energy Exploration and Development Policy: Blowout insurance covering cost of well control, redrilling and pollution liability.

Such insurance will be purchased with limits that are mutually agreed to within acceptable industry standards.

27.2

The Contractor shall indemnify, defend and hold the Government harmless against claims, losses and damages, without limitation, claims for loss or damage to property or injury or death to persons caused by or resulting from only petroleum operations conducted by or on behalf of the contractor, provided that the contractor shall not be held responsible to the Government under this paragraph (27.2) for any loss, claim, damage or injury caused by or resulting from any negligent action of personnel of the Government.

The Contractor shall contribute zero point one percent

(0.1%) of the value of the annual gross production of crude oil and/or natural gas produced and saved in each calendar year and not used or consumed in petroleum operations to a Common Fund to be held in trust by the Government and managed for the sole purpose of indemnification against any or all environmental damages caused during the petroleum operations.

Nothing contained in paragraph (27.3) above shall be construed to relieve the contractor of his obligations of indemnification as set out in this Agreement.

#### **ARTICLE XXVIII**

- |            |      |  |
|------------|------|--|
| Assignment | 28.1 | The Contractor may assign, transfer, convey or otherwise dispose of any part or all of its rights or interest under this Agreement with the prior written consent of the Government, which consent shall not be unreasonably withheld. If the Government gives its consent to said assignment or transfer, such assignment or transfer will be granted free of any charge to Contractor or Contractor's assignee or transferee.  |
|            | 28.2 | Notwithstanding the provisions of paragraph 28.1, the Contractor assigns to any affiliated company, the Contractor shall remain fully liable for the performance of this Agreement and shall be fully liable for the performance of any such assignee.   |
|            | 28.3 | In the case of an assignment to any non-affiliated company, insurance company, or governmental insurance provider, the Contractor shall provide to the Government an unconditional undertaking by the assignee to assume all obligations of the Contractor under this Agreement. Notwithstanding such undertaking, the Contractor shall remain jointly and severally liable with the assignee for performance of the obligations of the Contractor unless the Contractor assigns his entire interest under this Agreement. |

#### **ARTICLE XXIX**

- |                      |      |   |
|----------------------|------|---|
| Law of the Agreement | 29.1 | This Agreement shall be construed under, governed by and interpreted in accordance with the laws of Belize and such principles of international law as may be applicable. |
|----------------------|------|---|

#### **ARTICLE XXX**

- |               |      |  |
|---------------|------|--|
| Force Majeure | 30.1 | Except as otherwise provided in this Article, each party shall be excused from complying with the terms of this Agreement, except for the payment of monies due at the commencement of the force majeure, if such compliance is prevented by strikes, wars (declared or undeclared), acts of God, governmental intervention not otherwise addressed in this Agreement, third-party intervention, or by any act or cause that is reasonably beyond the control of such party, such causes being herein called "force majeure". In the event that either party hereto is rendered unable, wholly or in part, by any of these causes to carry out its obligations under this Agreement, such party shall give notice and details of force majeure in writing to the other party within thirty (30) days after the party giving notice of such force |
|---------------|------|--|

majeure is aware of its occurrence. In such cases, the obligations of the party giving the notice shall be suspended during the continuance of any inability so caused. The Government and Contractor will do all that is reasonable within their power to remove such cause.

#### ARTICLE XXXI

Entire Agreement and Amendments	31.1	This Agreement embodies the entire Agreement and understanding between the Contractor and the Government relative to the subject matter hereof, and supersedes and replaces any provisions on the same subject in any other agreement between the parties, whether written or oral, prior to the date of this Agreement. This Agreement may not be amended, modified, varied or supplemented except by an instrument in writing signed by the Contractor and the Government.
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#### ARTICLE XXXII

Waiver	32.1	Performance of any condition or obligation to be performed hereunder shall not be deemed to have been waived or postponed except by an instrument in writing signed by the party which is claimed to have granted such waiver or postponement.
	32.2	No waiver by any party of any one or more obligations or defaults by any other party in the performance of this Agreement shall operate or be construed as a waiver of any other obligations or defaults whether of a like or of a different character.

#### ARTICLE XXXIII

Confidentiality	33.1	This Agreement and any confidential information of any party hereto which becomes known to the other party in connection with the performance of this Agreement shall not be published or disclosed to third parties without the former party's written consent, except as otherwise provided herein, and provided however that such other party may communicate confidential information to legal counsel, accountants, other professional consultants, underwriters, lenders, agents, contractors or shipping companies to the extent necessary in connection with this Agreement, with the obligation of the parties receiving such information to maintain confidentiality, or to an agency of the Government of the country of the Contractor having authority to require such disclosure.
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The term "confidential information", as used herein shall mean information identified as "confidential" by the party originally in possession of it and disclosed to the other party, excluding information previously known to the other party or information which is publicly known (except through disclosure of the other party in violation of this Article XXXIII) or information that comes into the legitimate possession of such other party.

	33.2	The confidentiality obligations of this Article XXXIII shall expire upon relinquishment of the area to which the
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information relates.

**ARTICLE XXXIV**

IN WITNESS WHEREOF, the Government and the Contractor have hereunto set their hands and seals the day and year first herein before written.

SIGNED, SEALED AND DELIVERED BY

THE abovenamed HONOURABLE  
JOHN BRICEÑO for and on behalf  
of the GOVERNMENT  
of BELIZE

  
\_\_\_\_\_  
JOHN BRICEÑO  
WITNESS

SIGNED, SEALED AND DELIVERED BY

BRIAN E. RICHTER, PRESIDENT  
FOR USCAPITAL ENERGY BELIZE, LTD.

  
\_\_\_\_\_  
BRIAN E. RICHTER, PRESIDENT

in the presence of:

  
WITNESS

I, JOHN BRICEÑO of Belmopan, hereby acknowledge that I did sign, seal and deliver the within-written document as my act and deed.

Acknowledged at BELMOPAN this 22<sup>nd</sup> day of January, 2001.

  
\_\_\_\_\_  
JOHN BRICEÑO

Before me,

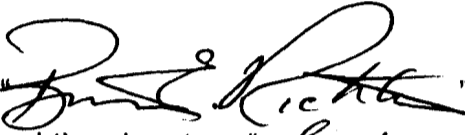

  
\_\_\_\_\_  
PERMANENT SECRETARY

BE IT REMEMBERED, that on the 22<sup>nd</sup> day of January, 2001 personally appeared before me the within named and acknowledged before me that he/she did sign, seal and deliver the within-written instrument as his act and deed and that the signature of JOHN BRICEÑO is in his writing.

  
\_\_\_\_\_  
PERMANENT SECRETARY

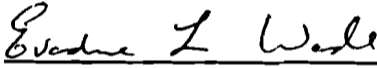
I, **EVADNE L. WADE**  
SAY as follows:

MAKE OATH AND

- 1. I am subscribing witness to the execution of this agreement by **BRIAN E. RICHTER**.
  
- 2. I was present and did see **BRIAN E. RICHTER** sign, seal, and deliver this agreement as his act and deed.
  
- 3. The signature " " is in the proper handwriting of **BRIAN E. RICHTER** and the signature " " is my own proper handwriting.

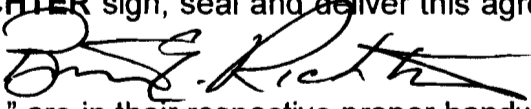
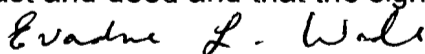
SWORN at BELMOPAN

THIS 22<sup>ND</sup> DAY OF JANUARY, 2001

  
\_\_\_\_\_  
WITNESS

Before me,

  
\_\_\_\_\_  
PERMANENT SECRETARY

BE IT REMEMBERED that on the 22<sup>nd</sup> day of January, 2001, personally appeared before me the within-named **EVADNE L. WADE** and made oath that she was a subscribing witness to the execution of this AGREEMENT by **BRIAN E. RICHTER** and was present and did see **BRIAN E. RICHTER** sign, seal and deliver this agreement as his act and deed and that the signature " " and " " are in their respective proper handwritings.

  
\_\_\_\_\_  
PERMANENT SECRETARY

I hereby certify that I have count the within-written document and that it contains two hundred and thirty-one (231) folios of seventy-two words each and twenty-seven (27) words over and no more.

AS WITNESS my hand this 22<sup>nd</sup> of January, 2001.

André Cho

**WITNESS**

**THIS DOCUMENT** was prepared in the **Geology & Petroleum Department** for the Inspector of Petroleum for and on behalf of the Government of Belize

Evadne L. Wake

**INSPECTOR OF PETROLEUM**

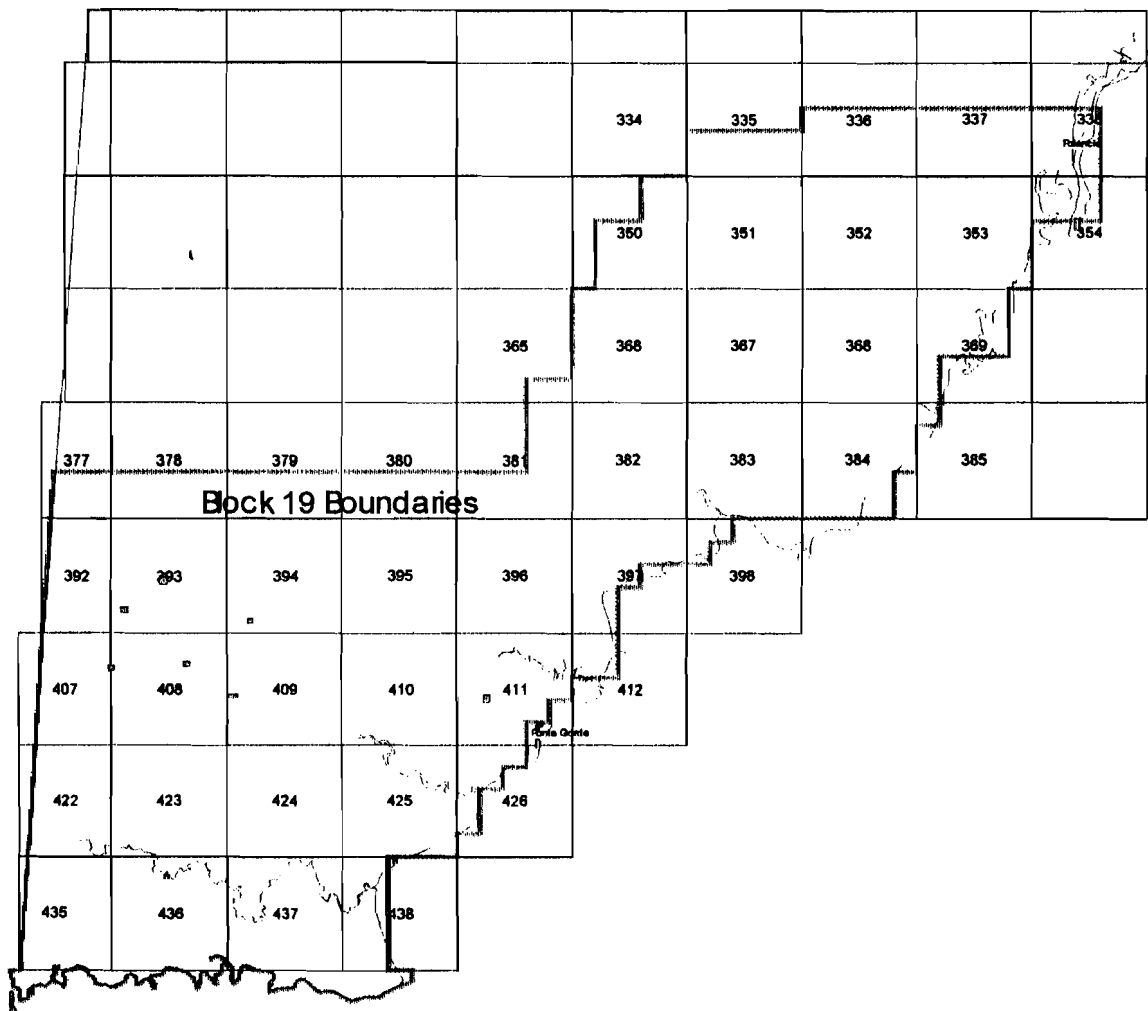


**Exhibit A to Production Sharing Agreement between USCapital Energy Belize, Ltd.  
and the Government of Belize**

**Block 19 Coordinates**

Sector	No. of Sub Sectors		Acres	Sq. Km.	Hectares
335	10	p,q,r,s,t,u,v,w,x,y	9884	40	4000
336	15	k,l,m,n,o,p,q,r,s,t,u,v,w,x,y	14826	60	6000
337	15	k,l,m,n,o,p,q,r,s,t,u,v,w,x,y	14826	60	6000
338	9	k,l,m,p,q,r,u,v,w	8896	36	3600
350	16	d,e,l,j,l,m,n,o,q,r,s,t,v,w,x,y	15815	64	6400
351	25	all	24711	100	10000
352	25	all	24711	100	10000
353	25	all	24711	100	10000
354	6	a,b,c,f,g,h	5931	24	2400
365	2	x,y	1977	8	800
366	25	all	24711	100	10000
367	25	all	24711	100	10000
368	25	all	24711	100	10000
369	14	a,b,c,d,f,g,h,i,k,l,m,n,p,u	13838	56	5600
377	5	r partial,s,t,w partial,x,y	4942	20	2000
378	10	p,q,r,s,t,u,v,w,x,y	9884	40	4000
379	10	p,q,r,s,t,u,v,w,x,y	9884	40	4000
380	10	p,q,r,s,t,u,v,w,x,y	9884	40	4000
381	16	d,e,i,j,n,o,p,q,r,s,t,u,v,w,x,y	15815	64	6400
382	25	all	24711	100	10000
383	25	all	24711	100	10000
384	23	a,b,c,d,e,f,g,h,i,j,k,l,m,n,o,p,q,r,s,u,v,w,x	22734	92	9200
385	1	a	988	4	400
392	15	c,d,e,h,i,j,m,n,o,r,s,t,w,x,y	14826	60	6000
393	25	all	24711	100	10000
394	25	all	24711	100	10000
395	25	all	24711	100	10000
396	25	all	24711	100	10000
397	17	a,b,c,d,e,f,g,h,i,j,k,l,m,p,q,u,v	16803	68	6800
398	3	a,b,f	2965	12	1200
407	16	c,d,e,h,i,j,m,n,o,r,s,t,w,x,y	15815	64	6400
408	25	all	24711	100	10000
409	25	all	24711	100	10000
410	25	all	24711	100	10000
411	22	a,b,c,d,e,f,g,h,i,j,k,l,m,n,o,p,q,r,s,u,v,w	21745	88	8800
412	4	a,b,f,g	3954	16	1600
422	19	b,c,d,e,g,h,i,j,l,m,n,o,q,r,s,t,v,w,x,y	18780	76	7600
423	25	all	24711	100	10000
424	25	all	24711	100	10000
425	25	all	24711	100	10000
426	7	a,b,c,f,g,k,p	6919	28	2800
435	20	b,c,d,e,g,h,l,j,l,m,n,o,q,r,s,t,v,w,x,y	19768	80	8000
436	25	all	24711	100	10000
437	25	all	24711	100	10000
438	10	a,b,f,g,k,l,p,q,u,v	9884	40	4000
444	2	a,b,c,d,e (all partial) fg	1977	8	800
445	2	a,b,c,d,e (all partial)	1977	8	800
446	3	a,b,c,d,e (all partial) j	2965	12	1200
447	3	a,b,c,d,e (all partial)	2965	12	1200
Total		fg	795678		322000

Exhibit B to Production Sharing Agreement between USCapital Energy  
Belize, Ltd. and the Government of Belize



Annex-I  
INCOME TAX COMMISSIONER'S BULLETIN

Article I      General Provisions

- 1.7    Definitions of Capital and Operating Expenditures
- 1.8    Depreciation
- 1.9    Arm's Length Transactions
- 1.10    General Exclusions
- 1.11    Currency Exclusions
- 1.12    Revision of the Accounting Procedure
- 1.13    Acceptance of Costs

Article II      Petroleum Operations Expenditures

- 2.1    Definition for the Purpose of Determining Compliance with the Minimum Exploration Expenditures Commitment
- 2.2    Definition for the Purpose of Article IX

Article III      Accounting Methods and Principles

- 3.1    Labour Costs
- 3.2    Material Costs
- 3.3    Technical Services Costs
- 3.4    Insurance and Claims
- 3.5    Legal and Litigation Costs
- 3.6    General Administration and Services
- 3.7    Interest, etc
- 3.8    Office Costs, etc. in Belize
- 3.9    Example of Production Share Calculation

## ARTICLE I

### GENERAL PROVISIONS

- DEFINITIONS** 1.1 The Accounting Procedure described herein is to be followed and observed in the performance of both parties' obligations under this Agreement. The definitions appearing in Article I of this Agreement shall also apply to this Exhibit.
- INCONSISTENCY** 1.2 In the event of any inconsistency or conflict between the provisions of this Exhibit and the other provisions of this Agreement, then the other provisions of this Agreement shall prevail.
- ACCOUNTING RECORDS AND REPORT** 1.3 (a) The Contractor shall establish and maintain at its business office in Belize complete accounts, books and records of all revenues, costs and expenses relating to all Petroleum Operations hereunder in accordance with generally accepted procedures and standards in the international petroleum industry. Such accounts, books, records and reports will be available for the Inspection and use of the Government and its representatives in carrying out its supervisory function under the Agreement.
- (b) Within thirty (30) days of the Effective Date of this Agreement, the Contractor shall submit to and discuss with the Government a proposed outline of charts of accounts, books, records and reports, which outline shall be in accordance with generally accepted and recognized accounting systems applied by Certified Public Accountants in the United States of America and consistent with modern petroleum industry practices and procedures. Within ninety (90) days of receiving the above submission, the Government shall either indicate its approval of the proposal or request revisions to the proposal. Within one hundred and eighty (180) days after the Effective Date of the Agreement, the Contractor and the Government shall agree on the outline of charts of accounts, books, records and reports which shall describe the basis of the accounting system and procedure to be developed and used under this Agreement. Following such agreement, the Contractor shall expeditiously prepare and provide the Government with formal copies of the comprehensive charts of accounts and manuals related to the accounting, recording and reporting functions, and procedures which are, and shall be, observed under this Agreement.
- (c) All reports and statements will be prepared in accordance with this Agreement, the laws of Belize, and where there are no relevant provisions of either of these, in accordance with generally accepted practices in the international petroleum industry.
- LANGUAGE AND UNITS OF ACCOUNT** 1.4 Unless otherwise agreed, all accounts, records, books and reports shall be maintained and prepared in the English language and shall be recorded in United States dollars.
- TAX ACCOUNTING PROCEDURES** 1.5 The following tax accounting principles shall apply:
- 1.5.1 In the event that the Contractor at any time comprises more than one corporation, individual or entity, in the form of a partnership, joint venture, unincorporated association or other combination of entities or individuals, Income Tax shall in all cases be calculated and assessed on the basis of the Net Taxable Income of each corporation, individual, partner, joint venturer, associate or other entity comprising the Contractor. In the event the Government or its assignee elects, pursuant to paragraph 19.2 of the Agreement to

participate herein, the Government or Its assignee shall not be treated differently for purposes hereof than the Contractor.

**CARRY FORWARD OF LOSSES** 1.5.2 Commencing with the Calendar Year in which Initial Commercial Production first occurs, any allowable deductions for Income Tax purposes with respect to Petroleum Operations Expenditures, the Production Payment (Royalty) and the Government's share of Crude Oil production which remain unrecovered In any Calendar Year from Gross Revenue shall be treated as an operating loss and may be carried forward as an allowable deduction to subsequent Calendar Years until fully recovered from Gross Revenues. In the event that an operating loss remains unrecovered upon the termination of this Agreement, such loss may be carried over and deducted from other revenues of the Contractor from Petroleum Operations in Belize.

**ACCRUAL BASIS** 1.6 All books, accounts and records shall be prepared on an accrual basis. Revenue shall be deemed to be earned, in the case of petroleum sales, in the accounting period when title passes to the purchaser. Revenues shall be attributed to the accounting period in which they are earned, and costs and expenses to the accounting period in which they are incurred, without the need to distinguish whether cash is received or disbursed in connection with a particular transaction. Costs and expenses shall be deemed to have been incurred, in the case of physical items, in the accounting period when title thereto passes, and in the case of services, in the accounting period when such services are performed.

**DEFINITION OF PETROLEUM OPERATIONS EXPENDITURES** 1.7 Petroleum Operations Expenditures may consist of capital and operating expenditures as follows:

**CAPITAL EXPENDITURES** 1.7.1 Capital expenditures are those Petroleum Operations Expenditures for asset that normally have a useful life which extends beyond the year in which the asset was acquired.

In addition to expenditures relating to assets that normally have a useful life beyond the year in which the asset was acquired, the costs of development and production drilling operations, as described in paragraph 1.7.1 (e) of this Exhibit, will be classified as capital expenditures.

Capital expenditures include, but are not limited to, the following:

(a) Construction utilities, but are not limited to, the following: water facilities, warehouses, and field roads. Cost of Crude Oil treating plants and equipment, secondary recovery systems, natural gas plants and steam systems,

(b) Construction housing and welfare housing - recreational facilities and other tangible Property incidental to construction,

(c) Production facilities - production rigs (including the costs of labor, fuel, hauling and supplies for both the offsite fabrication and onsite installation of rigs, and other construction costs in erecting rigs and installing pipelines), wellhead equipment, subsurface lifting equipment, production tubing, sucker rods, surface pumps, flow lines, gathering equipment, delivery lines and storage facilities,

(d) Movables - surface and subsurface drilling and production tools, equipment and instruments, barges, floating craft, automotive equipment, aircraft, construction

equipment, furniture and office equipment and miscellaneous equipment,

(e) Development and production drilling labor, materials and services used in drilling wells with the object of penetrating a proven reservoir, including the drilling of delineation wells as well as redrilling, deepening or recompleting wells, and access roads, if any, leading directly to wells,

**OPERATING EXPENDITURES**

1.7.2 Operating expenditures are all Petroleum Operations Expenditures other than capital expenditures.

Operational expenditures include, but are not limited to, the following:

(a) Exploration drilling - labor, materials and services used in the drilling of wells with the object of finding unproven reservoirs of crude oil and natural gas, and access roads, if any, leading directly to wells.

(b) Surveys - labor, materials and services used in aerial, geological, topographical, geophysical and seismic surveys, and core hole drilling, and

(c) Other exploration expenditures - auxiliary or temporary facilities having lives of one year or less used in exploration and purchased geological and geophysical information.

**DEPRECIATION**

1.8 Capital expenditures, as defined in paragraph 1.7 of this Exhibit, shall be depreciated only for the purpose of the calculation of Income Tax. For the purpose of determining the amount of depreciation which is allowable as a deduction in each calendar year, the following principles shall apply,

1.8.1 Capital expenditures will be depreciated using the straight line method over five (5) years,

1.8.2 A full year's depreciation may be taken in the first calendar year in which such depreciation is allowable,

1.8.3 Deductions with respect to depreciation of capital expenditures incurred shall be allowable commencing with (A) the calendar year in which the capital asset is placed into service, or, if the capital expenditure does not relate to an asset that normally has a useful life beyond the year in which it is placed in service, the calendar year in which the capital expenditure is incurred, or (B) the calendar year in which Initial Commercial Production first occurs, whichever is later.

**ARM'S LENGTH TRANSACTIONS**

1.9 Except as may be otherwise agreed in writing between the Government and the Contractor, all transactions giving rise to revenues, costs or expenses which will be credited or charged to the books, accounts, records and reports prepared, maintained or submitted hereunder shall be conducted at arm's length or on such a basis as will assure that all such revenues, costs or expenses will not be higher or lower, as the case may be, than would result from a transaction conducted at arm's length on a competitive basis with third parties.

**GENERAL EXCLUSIONS**

1.10 The following expenditures shall not be included in Petroleum Operations Expenditures:

(a) costs and expenses incurred at any time prior to the Effective Date,

(b) costs relating to petroleum marketing or transportation beyond the Delivery Point,

- (c) contributions and donations, except those approved by the Government,
- (d) gifts or rebates to suppliers, and gifts or commissions to intermediaries arranging service or supply contracts,
- (e) any interest, fines, monetary corrections or increases in expenses resulting from the Contractor's failure to comply with its obligations under this Agreement, applicable law or agreements with third parties, and
- (f) any other expenditures not directly related to Petroleum Operations or not in compliance with the provisions of this Exhibit.

**CURRENCY EXCHANGE RATES** 1.11 For conversion purposes between any other currency and United States dollars, the average of the buying and selling rate of exchange shall be used as Issued by the Central Bank of Belize on the first day of the month in which the revenues, costs or expenses are recorded. Any realized or unrealized gains or losses from the exchange of currency shall be charged or credited to Petroleum Expenditures. A record of the exchange rates used in converting other currencies into United States dollars shall be kept by the Contractor.

**REVISION OF THE ACCOUNTING PROCEDURE** 1.12 By mutual agreement between the Government and the Contractor this Accounting Procedure may be revised from time to time.

**ACCEPTANCE OF COSTS** 1.13 The acceptance by the Government of the values and treatment proposed by the Contractor relating to all costs and expenses may be conditional upon the presentation by the Contractor, following a request by the Government or its representatives, of all records and original documents supporting such costs and expenses, such as invoices, cash vouchers, debit notes, price lists or similar documentation verifying the value and treatment proposed. For a period of twenty four (24) months following the delivery by the Contractor of the records and original documents described above, the Government shall have the right, but not the obligation to audit the books and records of the contractor. In the event that no claim for adjustment is lodged by the Government within said twenty-four (24) month period, the values and treatment afforded by the contractor shall be deemed to be final for the periods covered by said records.

## ARTICLE II

### PETROLEUM OPERATIONS EXPENDITURES

**DEFINITION FOR THE PURPOSE OF DETERMINING COMPLIANCE WITH THE MINIMUM EXPLORATION EXPENDITURES COMMITMENT** 2.1 In determining the Contractor's compliance with the minimum Exploration Expenditures obligations undertaken pursuant to this Agreement, Petroleum Operations Expenditures shall include all costs and expenses incurred in the performance of exploration operations in accordance with approved work programmes, but excluding those incurred in the performance of development and production operations in the contract year in question without the need to distinguish, between capital and operating expenditures.

**DEFINITION FOR THE PURPOSE OF ARTICLE IX** 2.2

2.2.1 For each calendar year, including any calendar year prior to the calendar year in which Initial commercial production

first occurs, petroleum operations expenditures, for the purposes of Article IX of this Agreement, shall include all petroleum operations expenditures incurred in that calendar year in the contract area. Provided however, that Contractor shall also be entitled to all previously approved petroleum operations expenditures submitted under those certain Production Sharing Agreements dated May 21, 1993 (Gladden Basin PSA) and January 30, 1996 (Block 13 PSA) between the Government and Belize Natural Resources, Ltd. and its assigns.

2.2.2 The following costs and expenses shall not be included in petroleum operations expenditures for the purposes of Article IX of this Agreement:

(a) surface rentals payable pursuant to Article XIII of this Agreement,

(b) any costs relating to the provision of the security described in paragraph 6.1.6 of this Agreement including payments made to the Government pursuant to such security or otherwise for failure to incur the minimum exploration expenditures in accordance with paragraph 6.1 of this Agreement, and

(c) any interest, fees, duties, taxes and other financial charges, referred to in paragraph 3.7 of this Exhibit, relating to loans and credits obtained by the Contractor to acquire funds for the execution of its obligations under this Agreement.

**DEFINITION FOR THE PURPOSE OF THE INCOME TAX** 2.3

For each calendar year, commencing with the calendar year in which Initial commercial production first occurs, petroleum operations expenditures which shall be deductible for the purpose of the calculation of Income Tax payable shall consist of the sum of:

(1) the current calendar year's operating expenditures incurred, including the current calendar year's allowable deductions for depreciation of capital expenditures determined in accordance with subparagraphs 1.5.2 of this Exhibit.

### ARTICLE III

#### ACCOUNTING METHODS AND PRINCIPLES

Petroleum operations expenditures incurred hereunder shall be calculated and accounted for in a manner consistent with the following principles and definitions and shall include:

**LABOUR COSTS** 3.1

Costs of salaries and wages of the Contractor's employees directly engaged in petroleum operations, including costs of holidays, vacations, sickness, living and housing allowances, travel time, bonuses and other established plans for employee benefits customarily granted to the Contractor's employees and their families in similar ventures

**MATERIAL COSTS** 3.2

Costs of materials, equipment, machines, tools and any other goods of a similar nature used or consumed in petroleum operations subject to the following:

(a) Acquisition - the Contractor shall only supply or purchase materials for use in petroleum operations that may be used in the foreseeable future. The accumulation of surplus stocks and inventory shall be avoided. Inventory



levels shall, however, take into account the time lag for replacement, emergency needs and similar considerations,

(b) Components of costs - costs of materials purchased by the Contractor for use in petroleum operations may include, in addition to the invoice price (subtracting the discounts given, if any), freight costs and costs of transportation between the supply point and delivery point (provided that such costs are not Included in the invoice price), inspection costs, insurance, custom duties, taxes and other items that may be charged to imported materials or to materials purchased in the Belize,

(c) Accounting - such materials costs shall be charged to the accounting records and books based on the "First In-First Out" (FIFO) method,

(d) Supply of Materials by Affiliated Companies - materials supplied by the Contractor's Affiliated Companies shall be charged to the accounting records and books at prices no higher than the prices comparable material purchased on a competitive basis from third party suppliers. This criterion shall apply to both new and used materials,

(e) Inventories - the Contractor shall maintain both a physical and accounting inventory of all materials in stock in accordance with generally accepted practices in the international petroleum industry. The Contractor shall make a physical inventory of all such materials at least twice in any Contract Year. The Government may carry out total or partial inventories whenever it deems it necessary. The costs of non capital items purchased for inventory shall be charged to operating expenditure when issued from stock for consumption,

### TECHNICAL 3.3 SERVICE COSTS

The value of technical services Costs relating to Petroleum Operations shall be:

(a) In the case of technical services performed by third parties directly subcontracted, including outside consultants, contractors and utilities, the price paid by the Contractor, provided that such prices are no higher than the prices charged by other suppliers for comparable work and services, and

(b) In the case of technical services performed by the Contractor or its Affiliated Companies, prices which are no higher than the most favorable prices charged to other Affiliated Companies of the Contractor and to third parties for comparable services.

### INSURANCE AND 3.4 CLAIMS

Costs relating to insurance, provided such insurance is customary, affords prudent protection against risks and is at a premium no higher than that charged on a competitive basis by insurance companies which are not Affiliated Companies of the Contractor. The proceeds of any insurance or claim shall be credited against Petroleum Operations Expenditures. Except in cases where insurance coverage is required pursuant to Article XXV of this Agreement, if no insurance is carried for a particular risk, all costs incurred by the Contractor in settlement of any related loss, claim, damage or judgement, including legal services, shall be includable in Petroleum Operations Expenditures so long as they or the matters they relate to, were incurred incidental to an approved work program budget.

### LEGAL AND 3.5 LITIGATION COSTS

Costs and expenses of litigation and legal or related services necessary or expedient for the protection of the Contract area. Any damages or compensation received shall be credited against Petroleum Operations Expenditures. Under no circumstances may the Contractor's costs incurred in the

course of arbitration, entered into under Article XXII of this Agreement, be included in Petroleum Operations Expenditures,

**GENERAL  
ADMINISTRATION  
AND SERVICES  
OVERHEAD  
COSTS**

- 3.6 General services and administrative costs, other than direct costs, including, but not limited to:
- (a) The Contractor's personnel and services costs including reasonable office space in the United States relating to administration, legal, accounting, treasury, auditing, taxation, planning, employee relations, purchasing and other functions required for Petroleum Operations under this Agreement, and
  - (b) Reasonable travel expenses of the Contractor's personnel in the general and administrative categories listed in (a) above for the purpose of inspection and supervision of Petroleum Operations in Belize shall be allocable to Petroleum Operations Expenditures according to methods agreed to by the Contractor and the Government. The methods agreed shall result from a detailed study and the methods selected following such study shall be applied each year consistently unless otherwise agreed by the parties. In the case of Exploration Operations, these general administration and services overhead costs shall not exceed three percent (3%) of the direct costs incurred in such operations in each Calendar Year. Following the date of declaration of Commercial Discovery in the first Field, the Government and the Contractor shall agree upon the level of General Administration and Services Overhead Costs which may be allocable to Petroleum Operations Expenditures and the percentage of direct costs ceiling shall be reduced accordingly.

**INTEREST, ETC.**

- 3.7 Interest, fees, duties, taxes and other financial charges relating to loans and credits obtained by the Contractor to acquire funds for the execution of its obligations under this Agreement at rates not exceeding the prevailing commercial rates may be charged to Petroleum Operations Expenditures. Details of any financing plan, and amounts thereof, shall be Included in each annual Work Programme Budget.

**OFFICE COSTS,  
ETC. IN BELIZE**

- 3.8 Staffing and maintenance of the Contractor's head office in Belize and other offices in Belize, including rent, telephone, telex and radio expenses, as well as the expenses of general facilities such as shore bases, warehouses, water, power and communications systems, roads and bridges.

**EXAMPLE OF  
PRODUCTION  
SHARE  
CALCULATION**

- 3.9 The example below shows the application of the scale of Production Sharing for a field producing 360,000 bbls per day on an average in the course of a quarter.

### Production Share Table

Daily Average Production (bbl/d)	Government Share (%)	Contractor Share (%)
0 - 50,000	5	95
50,000 - 150,000	10	90
150,000 - 250,000	15	85
250,000 - 350,000	20	80
> 350,000	25	75

Gross Value of 360,000 bbl/d @ \$20/bbl	\$ 7,200,000
100% Recovery of expenses	\$ 2,880,000
Balance in dollars	\$ 4,320,000

**Government's Share of the Balance:**

[(50,000 bbls x 5% + 100,000 bbls x 10%

+ 100,000 bbls x 15% + 100,000 bbls x 20%

+ 10,000 bbls x 25%) / (360,000 bbls)]

x \$ 4,320,000 \$ 600,000

**Contractor's share**

\$ 4,320,000 - \$ 600,000 \$ 3,720,000

199/2001  
Lodge for record by GEOLOGY and PETROL DEPARTMENT  
this 22<sup>nd</sup> day of JAN 2001  
at 3:30pm - *cc. Flowers*  
for Registrar of Lands

roven and recorded in strict  
Conformity with the provisions  
of the General Registry Act  
Chapter 258 of the Law of Belize  
Revised Editions 1980 in Deeds  
Book Volume <sup>#</sup>2  
of 2000 at Folios <sup>1013</sup> this 23<sup>rd</sup>  
day of JANUARY <sup>1114</sup> 2001

*cc. Flowers*  
for Registrar of Lands

SECOND AMENDMENT  
PRODUCTION SHARING AGREEMENT  
USCAPITAL ENERGY BELIZE LTD.  
(DATED 22<sup>ND</sup> OF JANUARY 2001)

SECOND AMENDMENT AGREEMENT made this 29 day of October 2007 by and between the GOVERNMENT OF BELIZE, (hereinafter referred to as the "Government") acting through the Minister of Natural Resources, and USCapital Energy Belize Ltd., a corporation duly organized under the laws of the British Virgin Islands (hereinafter referred to as "Contractor").

WHEREAS, a Production Sharing Agreement (PSA) was awarded to USCapital Energy Belize Ltd. by the Government of Belize on the 22<sup>nd</sup> of January 2001;

AND WHEREAS, for the reasons described in the amendment to the PSA dated the 28<sup>th</sup> day of September 2004, Contractor and the Government amended the effective date of the PSA from January 22, 2001 to January 22, 2004;

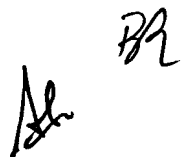
AND WHEREAS, the Contractor timely completed the work and expenditures required by the PSA in the first year of the Initial Exploration Period;

*FR*  
*AS*

AND WHEREAS, the Contractor (i) commenced the work and expenditures required by the PSA in the second year of the Initial Exploration Period, and (ii) actively sought to complete such work and expenditures in the first year of the First Renewal Period in accordance with permissions granted by the Geology & Petroleum Department of the Government in a letter dated November 11, 2005;

AND WHEREAS, pursuant to proceedings instituted by the Sarstoon-Temash Institute for Indigenous Management in the Supreme Court of Belize on the 15<sup>th</sup> of May, 2006 against the Government challenging the forestry permits granted by the Government to the Contractor to continue its seismic activities (the "SATIIM Legal Proceedings"), the Contractor was forced to temporarily suspend its seismic activities;

AND WHEREAS, in response to a letter dated 27<sup>th</sup> June 2006 from the Contractor's attorneys, W. H. Courtney & Co., requesting confirmation from the Government that Contractor would be permitted a reasonable time after the final determination of the SATIIM Legal Proceedings to resume and complete its exploration



activities, the Government confirmed such reasonable extensions of time for the Contractor in a letter dated July 7, 2006;

AND WHEREAS, the Government and the Contractor are desirous of amending the PSA to provide for such reasonable extension of all time requirements in the PSA;

NOW THEREFORE, the Government and the Contractor agree as follows:

1. The effective date of the PSA shall be January 22, 2006.
2. Accordingly, as of the date of this Second Amendment, the PSA is in the second year of the Initial Exploration Period.
3. The Contractor may carry-over into the first year of the First Renewal Period (which now commences on January 22, 2008) the completion of its work programme and expenditures required from the second year of the Initial Exploration Period.
4. The Contractor's earlier written request dated October 13, 2005 to extend the PSA into the First Renewal Period and

*FR*  
*AL*

the related acreage relinquishment continue to apply and do not have to be resubmitted due to the amendment of the effective date.

5. The Contractor's written request dated October 22, 2007 to extend the PSA into the Second Renewal Period and the related acreage relinquishment is hereby agreed by the Contractor and the Government to be withdrawn and is, accordingly, null and void.
  
6. The Contractor and the Government agree that this amendment removes all of the causes of force majeure described in the Contractor's letter dated October 23, 2007, except for any delays or other matters that might arise as a result of the Mayan Land Case described in such letter that would prevent the Contractor from timely performing its obligations under the PSA. The Government agrees to use its best efforts to assure that the Mayan Land Case does not delay, hinder or otherwise affect the Contractor's rights under the PSA, and to provide Contractor with appropriate relief in the event of any such delay or adverse effect to the Contractor.

AL  
FR



IN WITNESS WHEREOF, the Government and the Contractor  
have hereunto set their hands and seals the day and year first herein  
before written.


SIGNED, SEALED AND DELIVERED BY THE HONOURBLE  
FLORENCIO MARIN for and on behalf of the GOVERNMENT  
OF BELIZE

  
\_\_\_\_\_  
FLORENCIO MARIN

  
\_\_\_\_\_  
WITNESS

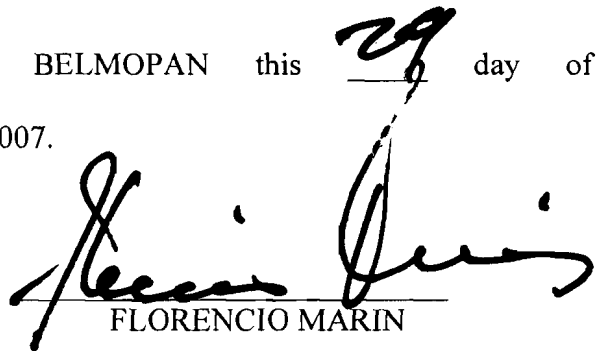
SIGNED, SEALED AND DELIVERED BY BRIAN E.  
RICHTER, PRESIDENT for USCAPITAL ENERGY BELIZE  
LTD.

  
\_\_\_\_\_  
BRIAN E. RICHTER

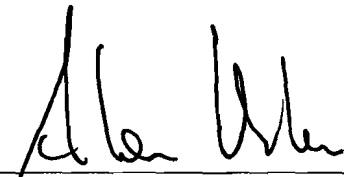
  
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WITNESS

  
702  
AL

I, FLORENCIO MARIN of Belmopan, hereby acknowledge that I did sign, seal and deliver the within-written document as my act and deed.

Acknowledged at BELMOPAN this 29 day of October, 2007.  
  
FLORENCIO MARIN

Before me,

  
\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

BE IT REMEMBERED, that on the 29 day of October, 2007 personally appeared before me the within named and acknowledged before me that he did sign, seal and deliver the within-written instrument as his act and deed and that the signature of FLORENCIO MARIN is in his writing.

  
\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER


I, MARK HULINGS, MAKE OATH AND SAY as follows:

1. I am subscribing witness to the execution of this agreement by BRIAN E. RICHTER
2. I was present and did see BRIAN E. RICHTER sign, seal and deliver this agreement as his act and deed.
3. The signature "Brian Richter" is in the proper handwriting of BRIAN E. RICHTER and the signature "Mark Hulings" is in my own proper handwriting.

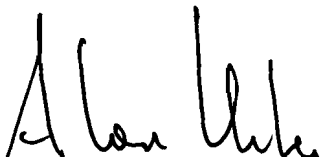
SWORN at BELMOPAN

THIS 29 DAY OF October, 2007

Mark Hulings  
WITNESS

*Handwritten initials/signature*

Before me,

  
\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

BE IT REMEMBERED this 29 day of October,  
2007, personally appeared before me the within-named  
MARK HULINGS and made oath that he was a  
subscribing witness to the execution of this AGREEMENT by  
BRIAN E. RICHTER and was present and did see BRIAN E.  
RICHTER sign, seal and deliver this agreement as his act and deed  
and that the signature "Brian Richter" and  
"Mark Hulings" are in their respective proper  
handwritings.

  
\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER


I hereby certify that I have counted the within-written document and that it contains fourteen (14) folios of seventy-two (72) words each and fifteen (15) words over and no more

AS WITNESS my hand this 29 day of October, 2007

  
\_\_\_\_\_  
WITNESS

THIS DOCUMENT was prepared in the Geology & Petroleum Department for the Inspector of Petroleum and on behalf of the Government of Belize.

  
\_\_\_\_\_  
INSPECTOR OF PETROLEUM



**AMENDMENT  
PRODUCTION SHARING AGREEMENT  
USCAPITAL ENERGY BELIZE LTD.  
(DATED 22<sup>ND</sup> OF JANUARY 2001)**

AMENDMENT AGREEMENT made this <sup>th</sup> 28 day of September 2004 by and between the GOVERNMENT OF BELIZE, (hereinafter referred to as the "Government") acting through the Minister of Natural Resources, and USCapital Energy Belize Ltd. (a subsidiary of USCapital Energy Partners PLC), a corporation duly organized under the laws of the British Virgin Islands (hereinafter referred to as "Contractor").

WHEREAS, a Production Sharing Agreement (PSA) was awarded to USCapital Energy Belize Ltd. by the Government of Belize on the 22<sup>nd</sup> of January 2001;

AND WHEREAS, the Area awarded under PSA dated 22<sup>nd</sup> of January 2001 petroleum Block 19 is adjacent to the West and South, Belize-Guatemala Border(s);

AND WHEREAS, the Area across the western and southern Belize/Guatemala Border(s) of interest of Contractor is known as petroleum Block 7-96;

AND WHEREAS, the Contractor and resource owner, the Government have considered the potential for **cross-border** deposits in petroleum Blocks 19 and 7-96;

AND WHEREAS, the Government and Contractor is desirous of undertaking exploration for and the exploitation of any and all such resources which may be discovered in the Area(s) of Block(s) 19.


NOW THEREFORE, the Government and Contractor agree as follows:

1. Petroleum exploration efforts of USCapital Belize Ltd. in petroleum Block 7-96 were adversely impacted by certain negative events occurring in Guatemala.
2. Such events were reasonably beyond the control of USCapital Energy Belize Ltd.
3. The **irresistible** events have ceased and no longer persist in 2004.
4. The effective date of the PSA shall be **January 22<sup>nd</sup> 2004**.

IN WITNESS WHEREOF, the Government and the Contractor have hereunto set their hands and seals the day and year first herein before written.


SIGNED, SEALED AND DELIVERED BY  
THE above named HONOURABLE  
JOHN BRICEÑO for and on behalf

  
of the GOVERNMENT OF BELIZE  
JOHN BRICEÑO

  
WITNESS

SIGNED, SEALED AND DELIVERED BY

BRIAN E. RICHTER  
PRESIDENT  
FOR USCAPITAL ENERGY  
BELIZE LTD.

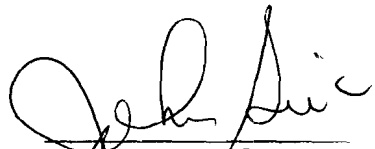
  
BRIAN E. RICHTER  
PRESIDENT  
FOR USCAPITAL ENERGY  
BELIZE LTD.

in the presence of:

  
WITNESS

I, JOHN BRICEÑO of Belmopan, hereby acknowledge that I did sign, seal and deliver the within-written document as my act and deed.

Acknowledged at BELMOPAN this 28<sup>th</sup> day of SEPTEMBER, 2004.

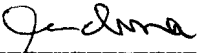
  
JOHN BRICEÑO



Before me,

 JOSE CARDONA  
\_\_\_\_\_  
COMMISSIONER OF THE SUPREME COURT

BE IT REMEMBERED, that on the 28<sup>th</sup> day of SEPTEMBER,  
2004 personally appeared before me the within named and  
acknowledged before me that he/she did sign, seal and deliver the  
within-written instrument as his act and deed and that the signature  
of JOHN BRICEÑO is in his writing.

 JOSE CARDONA  
\_\_\_\_\_  
COMMISSIONER OF THE SUPREME COURT

I, **EVADNE L. WADE** MAKE OATH AND SAY as follows:

1. I am subscribing witness to the execution of this agreement by **BRIAN E. RICHTER**.

2. I was present and did see **BRIAN E. RICHTER** sign, seal, and deliver this agreement as his act and deed.

3. The signature "*Brian E. Richter*" is in the proper handwriting of **BRIAN E. RICHTER** and the signature "*Evadne J. Wade*" is my own proper handwriting.

SWORN at BELMOPAN

THIS 28<sup>th</sup> DAY OF SEPTEMBER, 2004

*Evadne J. Wade*  
WITNESS

Before me,

*Jose Cardona* JOSE CARDONA  
COMMISSIONER OF THE SUPREME COURT

BE IT REMEMBERED this 28<sup>th</sup> day of September, 2004, personally appeared before me the within-named **EVADNE L. WADE** and made oath that she was a subscribing witness to the execution of this AGREEMENT by **BRIAN E. RICHTER** and was present and did see **BRIAN E. RICHTER** sign, seal and deliver this agreement as his act and deed and that the signature "*Brian E. Richter*" and "*Evadne J. Wade*" are in their respective proper handwritings.

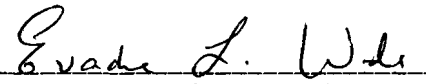
*Jose Cardona* JOSE CARDONA  
COMMISSIONER OF THE SUPREME COURT

I hereby certify that I have count the within-written document and that it contains nine (9) folios of seventy-two words each and fifty-five (55) words over and no more.

AS WITNESS my hand this 28<sup>th</sup> of September, 2004.

  
\_\_\_\_\_  
WITNESS

**THIS DOCUMENT** was prepared in the **Geology & Petroleum Department** for the Inspector of Petroleum for and on behalf of the Government of Belize

  
\_\_\_\_\_  
**INSPECTOR OF PETROLEUM**